

By Mr. FESS: A bill (H. R. 13813) granting a pension to Amanda Wishard; to the Committee on Invalid Pensions.

By Mr. FITZGERALD: A bill (H. R. 13814) granting a pension to Charles H. Ritter; to the Committee on Pensions.

By Mr. HAWES: A bill (H. R. 13815) granting an increase of pension to John Weidemann; to the Committee on Invalid Pensions.

By Mr. KAHN: A bill (H. R. 13816) granting a pension to T. L. Ingram; to the Committee on Pensions.

Also, a bill (H. R. 13817) granting a pension to Sarah G. Sperbeck; to the Committee on Pensions.

By Mr. KEARNS: A bill (H. R. 13818) granting a pension to Lena Castor; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13819) granting a pension to John C. Herin; to the Committee on Invalid Pensions.

By Mr. LINEBERGER: A bill (H. R. 13820) granting an increase of pension to Mary V. Scriven; to the Committee on Invalid Pensions.

By Mr. ROBSION: A bill (H. R. 13821) granting an increase of pension to Temple Dyer; to the Committee on Invalid Pensions.

By Mr. SANDERS of Indiana: A bill (H. R. 13822) granting a pension to Jennie Alexander; to the Committee on Invalid Pensions.

By Mr. WILLIAMS of Illinois: A bill (H. R. 13823) granting an increase of pension to Amos E. Albritton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13824) granting a pension to Martin E. McMichael; to the Committee on Pensions.

By Mr. WRIGHT (by request): A bill (H. R. 13825) for the relief of S. Silberstein & Son (Inc.); to the Committee on Claims.

By Mr. IRELAND: A resolution (H. Res. 484) authorizing appointment of additional clerk who shall be under supervision of the Clerk of the House; to the Committee on Accounts.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

6821. By Mr. BARBOUR: Petition of certain residents of Fresno County, Calif., urging support of joint resolution extending aid to people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6822. By Mr. BRIGGS: Letter and exhibits from G. W. Tilley, State fire marshal, Austin, Tex., advocating prohibiting the interstate shipment of inflammable films; to the Committee on Interstate and Foreign Commerce.

6823. By Mr. KETCHAM: Petition signed by 62 citizens of Bridgman, Mich., favoring aid to famine-stricken peoples of German and Austrian Republics; to the Committee on Foreign Affairs.

6824. By Mr. KISSEL: Petition of the Merchants' Association of New York, New York City, urging favorable action on House bill 10213, a bill relating to the Diplomatic and Consular Service of the United States; to the Committee on Foreign Affairs.

6825. By Mr. SANDERS of Indiana: Petition of several members of Zion Reformed Church, of Terre Haute, Ind., relative to House Joint Resolution 412; to the Committee on Foreign Affairs.

SENATE.

TUESDAY, January 16, 1923.

The Chaplain, Rev. J. J. Muir, D. D., offered the following prayer:

Our Father, Thou hast proven Thyself to be a very present help in time of trouble. And as we look out upon a distracted world we pray Thee for the wisdom necessary to cope with the difficulties, meet the problems, and deal with the strained situation that confronts nation after nation in these days. Our God, be our refuge, be our strength, and so help Thy servants before Thee and all others dealing with national or international affairs that results may be achieved which shall be for the good of humanity and Thy great glory. Through Jesus Christ our Lord. Amen.

NAMING A PRESIDING OFFICER.

The Secretary, George A. Sanderson, read the following communication:

UNITED STATES SENATE.
PRESIDENT PRO TEMPORE.
Washington, D. C., January 16, 1923.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. GEORGE H. MOSES, a Senator from the State of New Hampshire, to perform the duties of the Chair this legislative day.

ALBERT B. CUMMINS,
President pro tempore.

Mr. MOSES thereupon took the chair as Presiding Officer.

The reading clerk proceeded to read the Journal of the proceedings of the legislative day of Tuesday, January 9, 1923, when, on request of Mr. CURTIS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

DEPARTMENTAL USE OF AUTOMOBILES.

The PRESIDING OFFICER laid before the Senate the following communications:

A communication from the chairman of the Federal Trade Commission, reporting, in response to Senate Resolution 399, agreed to January 6, 1923, that the commission does not maintain any passenger automobiles or garages; that it does, however, maintain and use a Dodge truck for mail-carrying purposes, which is kept in one of the War Department garages at the rate of \$10 per month;

A communication from the Comptroller General of the United States, transmitting, pursuant to Senate Resolution 399, agreed to January 6, 1923, information relative to the number and cost of maintenance of motor vehicles in use by the General Accounting Office; and

A communication from the Secretary of the Smithsonian Institution, transmitting, pursuant to Senate Resolution 399, agreed to January 6, 1923, information relative to the number and cost of maintenance of motor vehicles in use by that institution.

Mr. McKELLAR. Mr. President, in reference to these reports from the various departments and divisions, I wonder if we can not have them placed all together and kept on the table, so that they may be considered together; or do they, under the rule, have to be referred as they come in?

The PRESIDING OFFICER. They lie upon the table until disposed of by the Senate.

Mr. McKELLAR. I ask that that course be pursued, and that they lie on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

CALL OF THE ROLL.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Glass	McCormick	Sheppard
Ball	Hale	McKellar	Simmons
Borah	Harrell	McKinley	Smoot
Brookhart	Harris	McLean	Spencer
Calder	Harrison	McNary	Stanfield
Cameron	Heflin	Moses	Sterling
Capper	Johnson	Nelson	Sutherland
Couzens	Jones, Wash.	New	Townsend
Culberson	Kellogg	Nicholson	Underwood
Curtis	Keyes	Norbeck	Walsh, Mass.
Ernst	King	Norris	Walsh, Mont.
Fernald	Ladd	Oddie	Warren
Fletcher	La Follette	Phipps	Watson
Frelinghuysen	Lenroot	Pittman	Williams
George	Lodge	Robinson	Willis

Mr. WILLIS. I wish to announce the unavoidable absence of my colleague [Mr. POMERENE] on account of illness. I desire that this announcement may stand for the day.

Mr. CURTIS. I was requested to announce that the Senator from Wyoming [Mr. KENDRICK] and the Senator from Louisiana [Mr. RANDELL] are engaged in a hearing before the Committee on Agriculture and Forestry.

Mr. FLETCHER. My colleague [Mr. TRAMMELL] is unavoidably absent. He has a general pair with the Senator from Rhode Island [Mr. COIT]. I will let this announcement stand for the day.

The PRESIDING OFFICER. Sixty Senators having answered to their names, a quorum is present.

PETITIONS AND MEMORIALS.

The PRESIDING OFFICER laid before the Senate resolutions adopted by the Major William E. Army Camp, No. 1, United Spanish War Veterans, Department of Porto Rico, favoring the passage of legislation to carry out the provisions of the national defense act so as to maintain the strength of the national defense against all possible enemies, either foreign or domestic, which were referred to the Committee on Military Affairs.

Mr. WILLIS. I present resolutions adopted by the directors of the Steubenville (Ohio) Chamber of Commerce on December 18, 1922, relative to immigration questions, and ask that they be referred to the Committee on Immigration and printed in the Record.

There being no objection, the resolutions were referred to the Committee on Immigration and ordered to be printed in the RECORD, as follows:

Whereas in recent years laws have been enacted by the Congress of the United States to govern and regulate the immigration of aliens to this country, which action on the part of Congress was both wise and just since it was for the purpose of attempting to solve what had become known as the "Immigration problem"; and

Whereas these certain laws restricting immigration have been given a fair trial, and based upon actual experience of the operation and enforcement of these laws there are now being proposed many changes in these laws relating to immigration; and

Whereas the Steubenville Chamber of Commerce, an organization of more than 600 business men, professional men, and manufacturers of Steubenville, Ohio, has studied this immigration problem from its different angles and has given consideration to the merits of different changes of the present immigration laws now being proposed, many of such changes having already been drafted into the form of bills to be introduced into Congress: Therefore be it

Resolved by the Steubenville Chamber of Commerce, based upon the unanimous action taken by 100 members present at a meeting on Wednesday, December 13, 1922, when this subject was very carefully considered, and based upon the indorsement of such action by the unanimous vote of the directors of this organization at a regular meeting December 18, 1922, that this organization go on record in favor of Senate bill 1253 introduced at the first session of the Sixty-seventh Congress by Senator STERLING, which bill proposes the creation of an immigration board and amends present immigration laws by restricting immigration of aliens to such a number as would be absolutely required from an economic standpoint by this country, and further providing for the selection by representatives of the United States at point of embarkation of immigrants so that only such immigrants as are needed and can be assimilated by this country will be admitted to these borders. And be it further

Resolved, That copies of this resolution be sent to the United States Senators from Ohio and also to Congressman FRANK MURPHY, and we most respectfully urge their support in helping to bring about the passage of this law.

CERTIFICATION.

This is to certify that the above is a true and correct copy of a resolution adopted by the directors of the Steubenville Chamber of Commerce in regular meeting Monday, December 18, 1922.

C. O. HANES, Secretary.

Mr. STERLING. I have received a number of telegrams from banks and loan associations in my State relative to Title IV of the pending bill (S. 4280) to provide credit facilities for the agriculture and live-stock interests of the United States, and so forth, asking that the limit of loans which may be made by Federal land banks may be increased to \$25,000. I ask that the first telegram be read and that the names of the senders of the other telegrams may be printed in the RECORD, and that they all be referred to the Committee on Agriculture and Forestry.

There being no objection, the telegrams were referred to the Committee on Agriculture and Forestry and the first telegram and the names were ordered to be printed in the RECORD, as follows:

[Western Union telegram.]

RAPID CITY, S. DAK., January 9, 1923.

Hon. THOS. STERLING,

United States Senator, Washington, D. C.:

We understand that bills in Congress increasing Federal loan limit to \$25,000 have not yet been reported out by Committee on Banking and Currency. It is of vital importance to the West that these bills pass as quickly as possible for the relief of western farmers and ranchers, many of whose mortgages mature March 1. We will appreciate your best efforts in this connection.

CHARLES J. BUELL,
A. C. HUNT,
GEORGE WILLIAMS,
GEORGE P. BENNETT,
A. S. HALEY.

The names of the senders of the other telegrams are as follows:

Peoples Savings Bank of Watertown; Douglas County National Farm Loan Association; Dell Rapids National Farm Loan Association; Yankton County Farm Loan Association; Jerauld County National Farm Loan Association; Hanson County National Farm Loan Association; First National Farm Loan Association of Pierre; all in the State of South Dakota.

Mr. STERLING presented petitions of sundry citizens of Parkston, Dempster, Castlewood, Bridgewater, and Freeman, all in the State of South Dakota, praying for the passage of legislation extending immediate aid to the famine-stricken peoples of the German and Austrian Republics, which were referred to the Committee on Foreign Relations.

Mr. ROBINSON presented the petition of J. T. Lloyd and sundry other citizens, praying for the passage of legislation repealing the discriminatory tax in existing law on small-arms ammunition and firearms, which was referred to the Committee on Finance.

Mr. LADD presented resolutions adopted by members of the Bergen (N. Dak.) National Farm Loan Association, protesting against the passage of House bill 13125, the so-called Strong bill, amending certain sections of the Federal farm loan act and favoring the issuance of instructions to officers of the Federal land bank at St. Paul, Minn., to adhere to paragraph 2, section

7, of the Federal farm loan act, which were referred to the Committee on Banking and Currency.

He also presented petitions of 157 citizens of McClusky, Lincoln Valley, and Ellendale, all in the State of North Dakota, praying for the immediate passage of legislation extending aid to the famine-stricken peoples of the German and Austrian Republics, which were referred to the Committee on Foreign Relations.

THE MUSCLE SHOALS PLANT.

Mr. MCKELLAR. I ask unanimous consent to have printed in the RECORD and referred to the Committee on Agriculture and Forestry a letter from John Thomas Taylor, vice chairman of the American Legion, in reference to the Muscle Shoals project.

There being no objection, the letter was referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

THE AMERICAN LEGION,
NATIONAL LEGISLATIVE COMMITTEE,
Washington, D. C., January 15, 1923.

Hon. KENNETH MCKELLAR,

Senate Office Building, Washington, D. C.

MY DEAR SENATOR: The national legislative committee of the American Legion desires to lay before you a resolution concerning the Muscle Shoals plants and properties and to urge that Congress adopt a definite policy at this session for the development and operation of this great national project.

This matter was given most careful and serious consideration at the national convention of the American Legion, assembled at New Orleans, La., on Friday, October 20, 1922, and the following resolution adopted: "Whereas at the beginning of the World War the United States Government was brought to a realization of the fact that it was wholly dependent upon the Chilean nitrate beds and German war-built nitrogen plants for its supply of nitrogen, which is absolutely necessary for the manufacture of high explosives; and

"Whereas the said United States Government did thereupon appropriate large sums of money for the erection and operation of nitrate plants Nos. 1 and 2 at Muscle Shoals for the manufacture of nitrogen in large quantities by extracting same from the air, which said plants were completed and successfully operated just prior to the armistice, or just after, and are the only air-nitrogen plants in the United States of America; and

"Whereas the above-mentioned plants have not only been left inoperative since the war, but have constantly fallen into a state of deterioration, at an expense of many thousands of dollars annually to the taxpayers of this country, while similar air-nitrogen plants in Germany were speedily converted so as to manufacture cheaply nitrogen fertilizers for the enrichment and reclamation of the arid farm lands of Germany, which has proven to be an untold blessing to the people of that country; and

"Whereas we believe that the continuance of our dependence upon foreign countries for the necessary supply of nitrogen for fertilizers in time of peace and for explosives in time of war is not only an unspeakable humiliation but is positively perilous from the point of view of the national defense: Now, therefore, be it

"Resolved, (1) That we, the American Legion, in national convention assembled, do hereby call upon the Congress of the United States, upon the assembling of same, immediately to take up and act upon the measures pending in Congress, or that may be introduced immediately upon the reconvening of same, on the subject and to determine upon a fixed policy as to the disposition of same; and

"(2) In determining upon the disposition to be made of said properties they may be governed by the following principles which we believe to be fundamental, namely,

"(a) No policy or plan should be accepted which does not provide for the operation of said plants in time of peace and the manufacture of fertilizer, and the test for acceptance of any offer should be the amount of fertilizer proposed to be manufactured;

"(b) No plan or policy should be adopted which is calculated to introduce Federal operation of the project;

"(c) The fertilizer production at Muscle Shoals shall have preferred supply of power in time of peace; and

"(d) No plan or policy should be adopted which does not assure the Government that a research or experimental department will be maintained and conducted in connection with the plants for the purpose of keeping up with the most approved methods of nitrogen production, and that in the event of military emergency the said plants will be made available to the Government, at the call of the Secretary of War, for the manufacture of nitrogen for explosives.

"(3) That the national legislative committee of the American Legion be directed to use all possible legitimate efforts to the end that the Congress of the United States immediately enact such legislation as aforesaid."

From the above-quoted resolution you will note that this great project should be—

First. Under private control and operation (not under Federal or governmental control and operation);

Second. That fertilizer production shall have preferred supply of power in time of peace and nitrogen production for high explosives in time of war; and

Third. That suitable legislation providing for the adoption of a permanent policy be immediately enacted by this Congress.

This entire matter has been before both Houses for some time and has been thoroughly considered and reported on by the committees after full and comprehensive hearings have been held.

As the American Legion has in national convention passed this very important resolution entitled "Reclamation and national defense," we are interested in having the matter considered at the earliest possible time, and we write you now to ask you when Congress expects to take the matter up with a view to giving careful consideration to the proposals that have been made and with a view to adopting a definite and comprehensive policy for the development and operation of this great project. In making some investigation in connection with our effort to ascertain the status of this question we have noted that on August 25, 1922, when this matter was under discussion in the House, Floor Leader MONDALL included in his remarks the following:

"I agree with the gentleman from Illinois that this matter ought to be considered and settled by this Congress, and as soon as it can properly be done."

We urge upon you as a Member of this Congress immediate consideration of this legislation, so vital to the national defense of our country should the country become involved in war and so indispensable to our agricultural welfare.

Very truly yours,

JOHN THOS. TAYLOR,
Vice Chairman, National Legislative Committee.
THE WAR DEBTS.

Mr. McKELLAR. Mr. President, while our Debt Funding Commission continues to proceed without taking the American people into its confidence, I notice that the British Government is giving out information to the British people back home. It is quite remarkable that we have to obtain news as to what this commission is doing from London dispatches. I quote one published yesterday:

LONDON, January 15.—Premier A. Bonar Law instructed Chancellor of the Exchequer Stanley Baldwin, who is now in Washington heading the British Debt Funding Commission, to insist upon a further interest rate reduction. He suggests that the United States would consent to 3 per cent upon the \$4,277,000,000 owing to the United States. The premier approves payment of the debt with bonds.

It is quite remarkable, Mr. President, that the only tangible information that has been given as to the settlement of the British debts comes from London. I am glad to know that our British brethren are willing to take their people into their confidence to some extent, at least, and I believe the American commissioners would succeed better if they were to take the American people into their confidence and tell what is going on. Secrecy in the conduct of governmental affairs never has made for success.

I want to call further attention to the fact that in the newspaper accounts of the negotiations between the two debt funding commissions there is almost invariably a long explanation as to Great Britain's large debt, as to Great Britain's large loans to other countries, as to Great Britain's large tax rates, the fact that Great Britain bought American goods with the money, and every conceivable argument which would aid Great Britain in securing an advantage in the parley. The American case is never stated. I am going very briefly to outline the American side of the controversy.

First. America loaned this money at a time when Great Britain needed it most, and she loaned it without stint.

Second. Under the terms of the act of Congress under which she loaned it, she loaned it upon the best and lowest terms upon which any nation during a war ever borrowed money.

Third. Instead of the fact that she bought American goods with the money, or with the most of it, being a reason why she should be dealt with more leniently, it is a fact that ought to be the strongest reason why she should pay under the terms of the act which she borrowed. The goods that she bought in America were infinitely more vital and valuable to her than all the money of the world at that time. She had to have the supplies. These supplies—not the money—saved her government.

Fourth. She borrowed the money under the act of Congress, and she ought to come forward and pay under the terms upon which she borrowed. She knew the act of Congress and its terms before she accepted the money.

Fifth. The American commission seems to be giving great weight to Great Britain's tax rate. They should not lose sight of the American tax rate, which is the highest in its history.

Sixth. Counting cash and bonds, the war cost America practically as much as it cost Great Britain.

Seventh. Great Britain, as the result of the war, received a vast empire in territory and some 40,000,000 additional people, and has the promise of large reparations. The United States received nothing as the result of the war.

Eighth. Since the war Great Britain has found no difficulty in financing purchases of oil in various parts of the world. Her investments in this matter alone amount to hundreds of millions of dollars; and in many of these acquisitions of oil property it is stated on the best of authority that she has excluded America and Americans.

Ninth. She has found no trouble in finding money to lend to foreign countries where it was thought helpful to her trade and commerce. In doing this, of course, she comes directly in competition with American shipping interests.

Tenth. She is maintaining the most expensive navy in the world, and a very large army.

Under these circumstances, which I am sure will be admitted by everyone, it seems to me that our Debt Funding Commission, our American newspapers, and the American people would do well to be considering America's side of the question rather than laying too much stress upon Great Britain's inability to pay us what is right and reasonable.

Mr. President, in submitting these views I again wish to say that I am not submitting them in a spirit of hostility to Great Britain. If Great Britain wants a longer time for these bonds to run than the 25 years, as provided in the original act, I for one have no objection to giving her a longer time; but in so far as the rate of interest is concerned, fixed by the last act of Congress at 4½ per cent, that should be satisfactory to our British friends. It is just about the rate at which we borrowed the money from the American people to lend to Great Britain. The rate fixed should certainly not be less than the rate at which we borrowed. If it should be, then we will be unfair and unjust to the American taxpayers.

In every transaction that we had with Great Britain during the war, she put it upon a business basis. She charged us for everything done for us in the war, and we have paid in full. Now Great Britain should pay what is right—nothing more and nothing less. Her representatives here are no doubt splendid business men, and they are making the best trade they can. There is no sentiment whatever in their handling of the matter. Our representatives should look at it in the same businesslike way; and our newspapers, if they desire to submit the British view, as they so frequently do, should be fair enough to the American people to submit the American view also. Of course, we should be absolutely fair to our British friends, and in the same way we should be fair and just to the American people, who lent them this money at the most critical period of their Nation's history.

Mr. President, in this connection I ask unanimous consent to have printed in the RECORD in 8-point type an article by Garet Garrett, which is the same article that was printed in the Saturday Evening Post of November 25, 1922. I think it is one of the most excellent statements of the American position that I have seen; it presents facts that can not be controverted, and I believe it will be intensely interesting to every Senator. I hope every Senator here will just spare about 10 minutes tomorrow to read it, and thus obtain a sensible presentation of the American view. The British propaganda has received such wide publicity in this country, and the real facts have been so carefully concealed, that our public has a false notion about these debts. After giving her 5 per cent obligations for this debt, as she has already done, and which are now in the hands of the American Government, Great Britain should be gratified to accept the rate of interest fixed in the pending act, namely, 4½ per cent. In passing this act America has voluntarily reduced the agreed rate three-fourths of 1 per cent, and surely after this generous treatment Great Britain should not ask more. We hold her 5 per cent obligations now. We are generous in voluntarily reducing the rate. Great Britain has not offered to reduce any obligation which we owed her. She insisted that we pay in full, and we paid in full. During the war she constantly sought to charge us more for goods bought of her than she charged her own citizens. We do not see the American view in our papers, but they constantly print propaganda evidently coming from British sources. Why not consider for a few moments the American view? I urge Senators to read this article, and I also want to commend it to the careful reading of the American Debt Funding Commission. If they could be induced to consider even for a moment the American side of the controversy I am sure they would secure a more acceptable settlement.

I ask unanimous consent to have the article printed in the RECORD, as a part of my remarks, in 8-point type.

The PRESIDING OFFICER. Without objection, it is so ordered.

The article referred to is as follows:

[Reprinted from the Saturday Evening Post of November 25, 1922.]

NOTES ON THE WAR DEBTS, WITH SOME COMMENT ON THE BALFOUR LETTER.

(By Garet Garrett.)

Things as things and the unremembered circumstances—a time would come to speak of them.

The war cost the United States a little more than \$1,500,000 an hour.

After the associate hand of America went in, it lasted 14,000 hours more and cost all of the European Allies combined, out of their own resources, a little less than \$2,750,000 an hour.

Besides our own direct contribution of more than \$1,500,000 an hour, we loaned to the allied Governments nearly \$750,000 an hour, and these loans now constitute the European war debt to this country. Direct advances of Liberty loan dollars from the United States Treasury amounted to \$9,500,000,000. Then when hostilities had ceased, France, Great Britain, Italy, Belgium, and others took over from us, on credit, docks, buildings, plants, railroads, machinery, and vast stores of food and other

supplies. This wholesale bargain sale of our things on their soil increased the debt to more than \$10,000,000,000. Loans for relief and unpaid interest have slowly increased it since, until now it stands between \$10,500,000,000 and \$11,000,000,000.

Until the war Europe was creditor to the whole world, drawing billions of interest annually from distant countries, including at least \$500,000,000 a year from the United States. Now for the first time it owes, and from thinking of this debt of, say, \$11,000,000,000 to the United States it has developed a kind of debtor's hysteria. Although it has not paid a dollar of principal and only a very little of the interest, it complains that the debt is crushing it and asks to be forgiven. It owes itself so much on account of the war that it can not pay. Or it can not pay us until Germany pays, and it seems impossible to make Germany pay.

LORD BALFOUR'S NOTE.

Great Britain's position is peculiar. Her own war losses notwithstanding, she is still a great creditor nation, with investments scattered all about the world. Therefore, she is obliged to hold for the sanctity of debts between nations. She can not afford to talk or advocate repudiation. Always, she has said she would and could pay her debt to the United States. Yet, steadily, since the armistice, cancellation of war debts has been powerfully and adroitly urged.

First it was urged on the ground that otherwise the Allies would be obliged to consume Germany; then on the ground that they could not consume Germany if they would; and again on the plea that it would be very good business for us.

For four years Great Britain had been moving ceaselessly by indirection to bring about a general cancellation of inter-allied debts, meanwhile failing to enter into any arrangement that looked to the payment of either principal or interest, and at last Congress called by law for action. Thereupon, Lord Balfour, Acting Secretary for Foreign Affairs, addressed to Great Britain's European allies, all of them America's debtors, a note on the subject of the debts. In this note he said that for the good of mankind and to mitigate the economic evils from which the world is suffering the Government of Great Britain thought of performing an act of unparalleled generosity. That would be to cancel, forgive, utterly wipe out all the war debts owing to it by its allies, and also to forego any share whatever in the German indemnity, to the one colossal aggregate sum of £3,400,000,000. But, alas, it was impossible for the Government of Great Britain to obey this impulse. Why? Because the American Government would not enter into the British Government's spirit of generosity; because the American Government would not forgive about a quarter of this sum, say, £850,000,000, owing to it from the Government of Great Britain. And while, "To generous minds it can never be agreeable, although for reasons of state it may perhaps be necessary, to regard the monetary aspect of this great event as a thing apart, to be torn from its historical setting and treated as no more than ordinary commercial dealing between traders who borrow and capitalists who lend," nevertheless, the British Government, because the Americans insisted on being paid, was distastefully and regretfully constrained to call upon France, Italy, and the others to pay on their war debts to the British Treasury at least enough to enable the British Treasury to pay in full its debt to the United States.

UNCLE SAM CARTOONED ABROAD:

Thus Mr. Balfour in his letter subtly though fairly definitely accused the American people of tearing the war debts apart from their historical setting in order to treat them in the selfish, ungenerous spirit of traders.

In Europe the effect of this upon public opinion was profound. The whole Old World press has since been filled with cartoons representing the United States to be the Shylock of the world. This picture has been endlessly reproduced in words of comment, even in newspapers, reviews, and magazines of high repute, all taking Lord Balfour's distinguished word for an exact statement of the case. The London Economist, a journal of financial opinion far above the drift of mob emotions, the most influential publication of its kind in England—the London Economist of all papers—printed a communication from "Portia," who said that for the United States to demand payment from Great Britain was to lay a tribute upon those who saved Kansas and Kentucky from the German peril, adding, "Even the terrible law courts of the Middle Ages refused to sanction removal of the merchant's flesh when it was pointed out that his lifeblood would follow." Even those of Lord Balfour's critics who said that to have written his letter when and as he did was a political blunder almost invariably have made it worse by adding: "Nevertheless, the truth is there. 'Tis Shylock again, demanding his pound of flesh. We shall have to pay what's in the bond."

Americans were shocked. For several days they went about saying to each other, "Can it be true? Are we like that?"

We do not carry figures in our heads. We had forgotten them. We had forgotten the terms and conditions. In fact, as people, we had been thinking very little about our war loans to Europe. Among a thousand of us taken unawares there would have been, perhaps, not one who could have said how much they were or for what they were made exactly, except to help win the war, and certainly not one who would have had any positive notion as to how they ought to be settled. But to the imputation that our way with them was that of traders we could not be indifferent. We said: "No; we are not like that. In our hearts we know it. Let us look at the record."

The record is of prodigious extent, not at all readable, and few people have ever been seriously interested in it, merely taking right consummations for granted. No one person has yet read the whole of it. Perhaps the British have never read it at all. Or it may be that the truth, like a giraffe in one's back yard, is so astonishingly palpable that one who wishes it were not so may see and disbelieve.

In the first place, when Great Britain says she is willing to forgive war debts of £3,400,000,000—say \$17,000,000,000—while the United States is unwilling to forgive only about a quarter of that sum, say, £850,000,000—\$4,250,000,000—the arithmetic is misleading.

In that sum of \$17,000,000,000 of war debts due to Great Britain, which she would forgive, is included \$7,250,000,000 of German indemnity, which now is admitted to be uncollectible.

The American Government has no claim upon German indemnities. It does not participate. Thus the figure of Great Britain's generosity is swelled with a claim against Germany for \$7,250,000,000, in contrast with which the American Government has no such claim to be either enforced or forgiven, for the specific reason that it never made one and left the Allies free to take for themselves first whatever they could get from Germany.

THE NET FIGURES OF FORGIVENESS.

If we deduct Great Britain's claim upon Germany, the actual amount of debt she is willing to forgive becomes \$9,750,000,000. On the other hand, in the event of an all-around cancellation of war debts, the amount the United States would have to forgive would be \$10,500,000,000, for, of course, we could not forgive Great Britain \$4,250,000,000 and collect from all our other debtors. We should have to forgive everybody. Moreover, in the event of an all-around cancellation, Great Britain would both forgive and be forgiven, whereas the United States could only forgive. Great Britain would forgive \$9,750,000,000 owing to her and at the same time be forgiven \$4,250,000,000 owing by her to the United States. The case would then be:

Great Britain forgives.....	\$9,750,000,000
Great Britain is forgiven.....	4,250,000,000
Net British sacrifice.....	5,500,000,000
The United States would forgive and sacrifice.....	10,500,000,000

Thus we, the traders, would lose \$5,000,000,000 more than Great Britain.

Now, let us go straight to the heart of the matter. There are only two questions, namely:

1. Should Europe's war debt to the United States Government be paid as a matter of right?
2. Can it be paid as a matter of fact?

The first question has two aspects—a legal aspect and a moral aspect; and since the legal aspect is not final, let us now dispose of it.

Read first the face of one of those bits of I O U paper which the allied Governments left at the United States Treasury to represent the value of the things they borrowed from America during and after the war. It is understood that we speak of things. What we loaned was not money but things, such as food, steel, munitions, and cotton. As the allied Governments bought these things from the American farmers and manufacturers they got dollars from the United States Treasury to pay for them, and for those dollars they gave their I O U's, called certificates of indebtedness, which were temporary, identical for all borrowers, and recited an obligation as follows:

This certificate will be converted by the Government of the * * * (United Kingdom of Great Britain) * * * if requested by the Secretary of the Treasury of the United States of America, at par, with an adjustment of accrued interest into an equal par amount of 5 per cent gold bonds * * * conforming to the acts of Congress.

It was as if a man in desperate haste came to a bank where he was known, saying: "I need some money out of the till—quick! My life is in jeopardy for want of it. I haven't time now to do more than write you an I O U. Later, whenever you say, I'll come in and make it regular by giving you a long-term promissory note."

Well, in that way, on their simple I O U's, the United States Government loaned Great Britain, France, Italy, and the other allied countries billions of dollars, which were the proceeds of our Liberty bonds; and the allied countries spent those billions of dollars for the food, the steel, the munitions, the cotton, and the like they required in order to continue their part in the war, while at the same time we were producing and requiring enormous quantities of the same things in order to do our part. We put \$22,000,000,000 worth of things into the war on our own account, besides what we loaned in that way to the Allies.

The war was won, and there came the Peace Conference.

Almost the first concrete matter with which President Wilson was confronted at Paris was a proposal from Great Britain to cancel all interally war debts by an act of fantasy. What Mr. Lloyd-George proposed was that there should issue a great quantity of German bonds to be divided among the Allies and the United States; with those bonds the Allies would pay off their debts to each other and to the United States, and the slate should be clean. Cancellation of the interally debts at that time with German bonds would have come precisely to the same thing as now to cancel those same debts with air and gestures and was open to the same notable objection, namely, that the United States would sacrifice much more than any other country—\$5,000,000,000 more than Great Britain—to the happy solution.

That was the formal beginning of an agitation that has continued up to this time. It has been a most consistent agitation, with one end steadily in view—an all-around cancellation of debts.

But before that, on December 4, 1918, less than a month after the armistice, we find in the record a cable message from Oscar T. Crosby, Assistant Secretary of the Treasury, to the Secretary of the Treasury in Washington, saying:

Chancellor (meaning the Chancellor of the British Exchequer) revived suggestion made before of possibility of cancellation of all loans made by one associated government to any other for the conduct of the war.

And on the next day came a message from Norman H. Davis, special United States commissioner of finance in Europe, to the United States Treasury, saying:

As I have already advised you, the British treasury has notified the French and Italian treasuries that they are through making advances to them. They have either done this in order to force them on us or for political reasons to force their opinions at the Peace Conference.

* * * The British treasury attitude regarding relief has changed considerably. In discussing the question of relief to Belgium and Serbia Keynes told me substantially that he had changed from his original idea of dividing the financial assistance into three parts, because in view of the fact that they have advanced considerably more than we have to these countries we should be willing to finance practically all of the relief. I told him we might be willing to finance the relief.

* * * But it would not be because they had advanced more or less to these countries than we have; nor should we take the position that the war should be continued for a year or two in order to enable us to loan as much to other governments as the British had loaned them.

CONTINUING CANCELLATION TALK.

And after this, after Great Britain had begun to move for the cancellation of all debts, after December 4, 1918, we advanced \$500,000,000 more to Great Britain alone.

At Paris President Wilson was interested in German bonds just as much as the American people were interested in German indemnities or spoils or division or the arithmetic of victory, which was not at all. He said no.

His saying no did not stop the agitation for a cancellation of the debts. It continued at the Peace Conference, in conversations among the allied premiers, in private interviews, and in propaganda to the press. The record is full of it. On March 8, 1919, the American Treasury formally notified the French of its surprise, in view of their still receiving money from the American Treasury, that at a meeting of the financial drafting committee appointed by the executive council of 10 at the Peace Conference, one of the allied governments having proposed as a financial question affecting peace the reapportionment and consolidation of war debts, the proposal was strongly supported by the French representative, M. Klotz. The French replied March 18, 1919, that it was the Italians who had raised that question; all the French did was to ask that it should not be discarded a priori.

After that the American Treasury advanced \$750,000,000 more to France and nearly \$250,000,000 more to Italy.

Reflecting upon the spectacle of the American Treasury continuing to advance hundreds of millions of dollars, without security, to foreign governments which at the same time are debating a cancellation of those very loans! When did a Shylock lend money in that manner?

More than a year elapsed. Then Mr. Albert Rathbone, Assistant Secretary of the Treasury, was sent to Europe to ask our debtors to make their I O U's into regular loans. This you might think would be a purely formal consummation, seeing

that all the borrowing governments alike were pledged in writing on the face of the paper to do this thing on request. The record speaks.

On February 2, 1920, there is a memorandum from Norman Davis, then Assistant Secretary of State, to President Wilson, saying:

As you are aware, efforts beginning with the peace negotiations were made to bring about a cancellation of our debts against the allied governments, but the question was not presented in such a definite way as to require us to take any formal action. Much to the surprise of the Treasury, in connection with negotiations which have been under way with the British treasury regarding the funding of short-time obligations of the allied governments, the question has been formally raised by the British treasury, both in a communication to Mr. Rathbone and also in a message from the Chancellor of the Exchequer sent through the British Embassy, in which, among other questions, the Chancellor, in effect, invites the American Treasury to a consideration of a general cancellation of all intergovernmental debts. * * * While the Allies have never bluntly so stated, their policy seems to be to make Germany indemnify them for having started the war and to make us indemnify them for not having entered the war sooner.

To these suggestions from the British Chancellor of the Exchequer the Secretary of the United States Treasury replied as follows:

As to the general cancellation of intergovernmental war debts suggested by you any proposal or movement of such character would, I am confident, serve no useful purpose. On the contrary, it would, I fear, mislead the people of the debtor countries and arouse hopes the disappointment of which could only have a harmful effect. * * * The United States has shown its desire to assist Europe. Since the armistice this Government has extended to foreign governments financial assistance to the extent of approximately \$4,000,000,000. Their need now is for private credits. * * * This Nation has neither sought nor received substantial benefits from the war. On the other hand, the Allies, although having suffered greatly in loss of lives and property, have under the terms of the treaty of peace and otherwise acquired very considerable accessions of territories, populations, economic and other advantages. It would, therefore, seem that if a full account were taken of these and of the whole situation there would be no desire nor reason to call upon the Government of this country for further contributions.

NEGOTIATIONS POSTPONED.

Well, after that there was nothing for it but to abandon the proposed cancellation plan and perform the obligation expressed on the face of the I O U or to refrain from doing so.

In May, 1920, the papers were all ready to be signed, and Mr. Rathbone was on his way from Paris to London to take the British signature, when suddenly he was notified by the British Chancellor of the Exchequer that he need not come. Negotiations were off. It appeared that it had been decided that the general situation must be further explored and Mr. Lloyd-George would write to President Wilson about it.

Mr. Lloyd-George did write to President Wilson about it, but not until the following August. He expressed regret for the delay, saying: "I come now to the other question I wish to write to you about, and that is the knotty problem of interally indebtedness. Indeed, I had promised Mr. Rathbone long ago that I would write to you about it, but I have had to put it off for one reason and another until now."

The British and French Governments, he went on to say, had been trying to fix the German indemnity at a reasonable sum, but the French could accept nothing less than all they had hoped for under the treaty, unless Great Britain would forgive them their debt to the British treasury, and this Great Britain could not consider except as part and parcel of an all-around settlement of interally indebtedness. He added: "I recognize that in the midst of a presidential election it is impossible for the United States to deal with this question in a practical manner; but I should very much welcome any advice which you might feel yourself able to give me."

To this President Wilson replied: "The United States Government fails to perceive the logic in a suggestion in effect either that the United States shall pay part of Germany's reparation obligation or that it shall make a gratuity to the allied governments to induce them to fix such obligation at an amount within Germany's capacity to pay."

A TARDY PROPOSAL.

All that has happened since has been monotonous. The campaign for a general forgiveness of debts has continued without cease and has culminated in the suggestion that the American people are treating the debts in the manner of traders who will have their due, though it ruins Europe.

This brings us to the moral and controlling aspect of the question: Should Europe's indebtedness be paid as a matter of right?

It is bound to be admitted that cancellation may be morally urged upon one ground only—that is, upon the ground that the war was a common enterprise in defense of civilization, wherefore no money account should have been kept at all, and no defender should charge another for things contributed.

Americans understand that view romantically. They might have accepted it, indeed, if it had been presented at the time, or

at any time before the war was won and the money account that had been kept of things contributed was as it is.

The amazing fact is that neither Great Britain nor any other allied government in Europe is proposing even now to take that view of the case actually. What is proposed only is that America shall uncharge Europe for the things Europe borrowed in the United States. It has never once been suggested that Europe should uncharge America for the things America bought and paid for in Europe during the war for the war.

While Great Britain, France, Italy, and the other Allies were giving us their I O U's for the war things they got in the United States, we paid at once for all the things we got in Europe. The difference between giving one's I O U for things as others gave us theirs and paying for things as we paid them is the difference between plus and minus. For example, there is an extra pair of shoes in England. General Pershing wants that pair of shoes for his Army and buys it because that will be a little quicker than to get it from home. Now, if he gives England an I O U for that pair of shoes it is just a matter of one pair of shoes some time to be settled for and nothing more. Instead he pays at once with an order on the United States Treasury for so many dollars. Britain spends those dollars in the United States for another pair of shoes and then there are two pairs of shoes for the soldiers in France.

Thus America's expenditures for war things in Europe gave Europe more dollars to spend for war things in the United States and increased the means to victory; and the aggregate of these expenditures was enormous—four or five billion dollars.

If now America's debtors, the allied countries, were proposing really to treat the war as a common cause in the faith of mankind, wherein no one should have been charged for the things consumed, they would be obliged to say: "Uncharge us for the war things we got on credit in the United States and we will uncharge America for the corresponding things it bought and paid for in Europe." Nobody says that. Why not? Why, for a very obvious reason. If you uncharge a nation for things that were bought on credit you simply tear up its I O U's. But if you uncharge a nation for things that have been actually paid for you have to return either the money or the equivalent in things. That is precisely what Europe has not been prepared to do.

There is no thought of uncharging all around. There is no thought of uncharging America. There is only the idea of cancellation all around, which would mean to uncharge the allied countries for what they borrowed in this country, enable them to forgive Germany and leave the United States holding the bag.

So far one discovers no shape to the idea, beautiful and romantic in itself, that to a common purpose all things were in common and not chargeable to one another.

Did this idea ever exist?

During the war we did not encounter it.

Did it exist when we were charged rentals and port taxes and rail mileage for our cars and locomotives and damages for the roads we built in France? It was all right. We paid and were good friends still. But we were charged and we did pay and we hear no suggestion that we should not have been charged or should not have paid or ought now to be uncharged.

Did the idea exist when the British charged us \$90,000,000 for transporting 1,000,000 of our troops to France? That was all right, too. We do not owe for the service. We have paid.

THE JUTE AND SILVER EPISODE.

Clearly it did not exist when our War Industries Board was struggling with the British ministry of munitions and could not by persuasion fully open its eyes to see how unfair it was that we should be charged trade prices for the war things we bought in the British Empire while Great Britain on its purchases in the United States received full benefit of war-control prices.

The American Government had created price-fixing agencies, and these agencies not only determined the prices to be paid by the American Government to its own people for the things of war but those same prices applied also to the purchases of allied countries. These allied countries were charged exactly what the American Government paid for food, raw materials, and manufactures.

In the same way the British Government fixed prices for itself in its own country and throughout its empire, but those prices did not apply to American purchases in the British Empire. We were charged more. Our War Industries Board sent a mission to Great Britain to deal with these matters. On page 84 of its report we read:

The mission had an important struggle with the British Government on the question of jute. All the jute of the world comes from India, and the British Government urged that it could not control the price, because it was an affair of the Indian Government. The mission pointed out that our Government was supplying silver to the Indian Government through the mediation of the British treasury, and that if

the British Government could not exercise control in India our Government might find it necessary to withdraw from the arrangement of supplying silver, and by thus causing a depreciation of Indian currency buy the jute at reasonable prices.

There is a story by itself—a story of silver and jute and deviltry. German propagandists started a rumor in India that the Indian Government could not on demand redeem those millions of paper rupees which the people of India had been taught to believe were as good as silver, because the silver was always there and they could get it when they wanted it. And the rumor was true! The Indian Government had let its silver hoard run down. The Indian people began to present their paper rupees and demand silver, and the Indian Government was embarrassed. It could get gold, but gold would not go. The people demanded silver, and if they did not get it their faith in Great Britain would be ruined. It was a very serious matter. Revolution might be the least of its consequences.

Jute comes from India and nowhere else, and jute was an essential war material. At that moment the only available supply of silver in the world was a pile of two hundred-odd million silver dollars in the basement of the United States Treasury, sacredly pledged to redeem an equal amount of silver certificates passing from hand to hand as currency in the country. Great Britain appealed to America. What was to be done? A conference was held. Leaders of Congress undertook to pass, and did pass, a law that no one could understand who did not have the secret, authorizing the Treasury to melt those silver dollars and lend them to Great Britain. Thus a calamity was averted.

But while we were melting a portion of those \$200,000,000 and lending the silver to Great Britain, who made it into rupees and sent it out to India—it took some time—while we were doing that the War Industries Board came to an impasse with the British Government over the price of jute. We had to buy our jute in the English market because there was nowhere else to buy it, and the price we were charged for it was very much more than the price at which the British Government bought its own military supply of the same material. The War Industries Board insisted that the American Government should be permitted to buy jute at the British Government's military price because the British and all the allied countries were permitted to get anything they wanted in the United States at the American Government's military price.

The British Government was very sorry. But that was a matter for the Indian parliament to deal with, and the Indian parliament was deaf and independent. At last the War Industries Board, backed by the whole United States Government, in substance said:

All right. No more silver dollars to be melted up for rupees. Then we shall see what happens to the price of jute.

At that the British Government discovered in the Indian parliament a very acute and hitherto unsuspected sense of hearing, and within 48 hours the American Government was able to buy jute at a fair price.

So it was, to some extent, with wool, of which the British Government got a tight monopoly at the beginning of the war by taking the whole Australian and New Zealand clip at a low price on a yearly basis; and with tin, which is a natural British monopoly; and with practically everything else we bought in Great Britain or the British Empire.

THE 10 PER CENT SURCHARGE.

It came to an episode with the British in wool. The excuse for charging the United States more than Great Britain paid for the wool was that America had no original risk in the monopoly. That seemed a far point. However, we went on from there, and the American Army contracted with the British for a large quantity at the trade price. It was left to the War Industries Board to arrange transportation and other details. It sent two American ships to Australia for the wool, and they were there waiting when the foreign mission of the War Industries Board in London was suddenly asked to sign a contract to pay, above the purchase price, an additional 10 per cent for overhead and administrative expenses. The War Industries Board refused to be charged that extra 10 per cent. Whereupon it received an ultimatum. Unless it signed the contract the American vessels waiting in an Australian port, within the British Empire, would not be permitted to ship the wool.

The War Industries Board said: "We have got to have the wool. Maybe we will sign that contract to get it. But if we do 10 per cent will be added to everything you buy in the United States." That brought about a change in the British attitude.

After the war the United States sent a liquidating commission to square the books. Among the unexpected claims presented by Great Britain against America were what came to be known as hidden costs, proposed to be charged in addition

to the prices already paid. On page 58 of the commission's report we read:

An example of such indirect charges was an item covering bonuses paid by the British Government to manufacturers of silica brick for the purpose of stimulating their production, that the brick might be used in the building of furnaces for the production of steel for the manufacture of shells, some of which were sold to America. The commission pointed out how impracticable it would be for each Government to trace every remote and indirect element of cost which had entered into the production of materials furnished to the other. Attention was called to the fact that, under the principle which Great Britain was seeking to apply here, she might ask America to participate in the subsidy which she had paid on the bread which the workers in her steel mills had eaten.

Other incidents passed unmentioned. Before America got into the war allied vessels were exempt from port taxes in French harbors. After we got in the rule was changed. Our vessels were taxed in French ports.

We paid. We could afford to. We were not thinking of it in those terms at the time. It seems now very lucky that we had a War Industries Board that knew how to play this thorny game of trade, for otherwise our expenditures abroad for war things would have been perhaps \$1,000,000,000 more.

The view changes. It is the record still.

What were the things—the things the allied governments bought in the United States with dollars borrowed from the American Treasury on their I O U's? They fall into several classes, to wit:

I. Things like food, cotton, and munitions directly consumed for military purposes.

II. Things, especially food, bought on credit in the United States by the allied governments and resold by them in their own countries for civil consumption.

III. Things such as steel, cotton, and other raw materials bought on credit in the United States by the allied governments and resold by them in their own countries to private manufacturers for the purpose of sustaining trade.

IV. Things of all kinds bought in the United States on private credit before the American people entered the war and afterwards paid for with dollars borrowed from the United States Treasury.

V. Things, both food and industrial commodities, bought on credit in the United States after the armistice for purposes of postwar relief and reconstruction.

That these different classes of things require different symbols is obvious.

GOODS FOR CIVIL ISSUE.

If there had ever been the idea that everybody's war things were in common, or if that idea now existed, so as to include their things as well as ours, and if in the fulfillment of that idea we were happily uncharging one another all around, then, of course, those things of the class first mentioned that were directly consumed in military uses would have to be charged off.

In the same way those things of the class next mentioned—food and other vital supplies taken from us on credit and resold for civil consumption—those also would have to be charged off. Civil welfare was essential to victory.

But when we come to class No. III—to the steel, cotton, and other goods and materials bought on credit in the United States by the allied governments and resold to private manufacturers for the purpose, so far as possible, of sustaining trade as usual—perplexities begin.

The effort to continue business as usual in England during the war was heroic. British Government and British business were almost as one. That was quite right. The survival of British trade was a matter of vital importance. Only that is not the point.

The Government of Great Britain took arbitrary control of essential raw materials as a military measure, and in its wisdom divided them between the uses of trade and the uses of war. Then when the United States came into the war private purchases for British trade ceased in the American market. The British Government did the buying for both military and trade necessities with dollars borrowed from the United States Treasury; and then there were two prices and two uses for the same things in Great Britain. There was one price for a thing resold by the British Government for military issue and a higher price for that same thing when resold for civil issue.

Things bought in the United States with borrowed dollars were resold in Great Britain for both military issue and civil issue. In what proportion we do not know. We could never find out.

We do know as to certain great groups of things, such as food products and cereals, that if the entire British Army had been sustained exclusively from what was bought in the United States less than half the total would be accounted for. The other half, therefore, was resold by the Government for civil issue. That applies only to food.

As to raw materials, such as cotton and steel, we can not guess in what proportions they were divided between military purposes and civil issue. The reason we can not guess is that the British Government lumped the figures and we accepted them. For example, in reporting to the United States Government how it had been spending the borrowed dollars it put in one item, as follows: "Exchange and cotton purchases, \$1,682,419,875.31."

What did that mean? More than \$1,500,000,000 for cotton and exchange! That item alone is more than the national debt of the United States before the war.

Well, the cotton means cotton, though how much cotton nobody knows; and the rest, maybe \$1,000,000,000, represents things bought all over the world with pounds sterling—that is to say, with English money—and the dollars borrowed from the United States Treasury were used in the international exchange market to buy pounds sterling, the point of this being to keep business doing as usual in English money, which had been the paramount money of the world, and then to support the value and prestige of that money with borrowed dollars. Instead of purchasing American cotton at New York with American dollars the British Government bought American cotton at Liverpool with English money and then used dollars to redeem its own money at a fixed price in the international exchange market. But for this sagacity on the part of British finance the pound sterling would have declined in prestige and the dollar instead might have become the paramount money of the world. After the war, when dollars with which to support the pound sterling were no longer forthcoming, the exchange value of English money suffered a great fall.

To what extent the pound sterling, while sustained in value with borrowed dollars, was employed to buy things in other markets which were then resold to British trade we can not tell. We knew all the time, however, that materials bought on credit in the United States were replacing materials consumed in British trade. Our War Industries Board was continually vexed at the procedure of taking steel away from private industry in the United States while British steel makers, our competitors, continued to export steel products from Great Britain for profit.

These things are cited for illustration. What they illustrate is how impossible it is for us now to imagine that the wartime transactions between the United States and the Allies were governed by the sentimental idea of all things in common.

EARLY LOANS REFUNDED.

In the fourth class we spoke of things of all kinds—food, cotton, steel, and munitions—first bought in the United States on private credit before the American people entered the war and then afterwards settled for with dollars borrowed from the American Treasury. That is an interesting item. It appears in the record as "Maturities, \$648,246,316.94," of which more than half was for Great Britain and nearly all the rest for France. It is thus explained:

In 1918 certain loans fell due that Great Britain had floated in Wall Street through J. P. Morgan & Co. before we got into the war. These were what are known as secured loans—that is, valuable British securities were pledged thereunder. It was thought better to pay them off than to renew them, because to renew them might hurt British credit and also conflict with the sale of Liberty bonds. The easiest way to pay them off, perhaps the only way, was to do it with dollars borrowed from the United States Treasury. That was all right again. Yet the fact stands out that the proceeds of Liberty bonds to the amount of more than a third of a billion dollars were loaned to pay off debts contracted by Great Britain with private bankers before this country had put itself into the war. And this now is a part of that debt owing by Great Britain to the American Government which we are urged to forgive. The securities pledged under those private loans were not received by the American Government.

In the same way French loans amounting to more than a quarter of a billion dollars, floated in Wall Street through private bankers before this country entered the war, matured while we were at war and were paid off with dollars borrowed by the French Government from the United States Treasury.

So our public loans to the Allies were retroactive. More than that, they continued for nearly two years after the end of the war. The armistice was signed on November 11, 1918.

After the armistice, down to July 1, 1919, the United States Treasury advanced \$576,000,000 more to Great Britain.

After the armistice, down to May 11, 1920, the United States Treasury advanced \$629,789,000 more to Italy.

After the armistice, down to August 26, 1920, the United States Treasury advanced \$176,834,467 more to Belgium.

And after the armistice, down to September 28, 1920, the United States Treasury advanced \$1,027,427,800 more to France.

The total of these postarmistice advances to Great Britain, France, Italy, and Belgium amounted to nearly \$2,500,000,000. What did they represent? Things, to be sure. But things of what kind and for what purpose?

There is no definite accounting in this post-armistice period. Hundreds of millions of dollars went to settle contracts for war things that were running when hostilities suddenly ceased. The remainder—an undetermined amount—went for food, for relief in many forms, and for materials very urgently needed to make the swing from war to peace.

Directly and indirectly a very large proportion of these advances represented the loan of American things toward reconstruction. France, for example, the largest after-the-war borrower, got enormous quantities of American foodstuffs, and to the extent to which she was supplied with foodstuffs and other peace materials on American credit her own resources were released for works of reconstruction.

All of this is a good deal like the item received from the British: "Exchange and cotton purchases, \$1,682,419,875.31." We can not break the figures up. Only the borrowers could do that.

Although the record in this respect is dim and confused, owing to the involved nature of the transactions, still it does reveal these "traders" in a very strange light. Having raised billions from taxation and Liberty bond sales to be advanced to the Allies explicitly for the purpose of the prosecution of the war, as provided by law, they strained the law and continued long after the armistice, long after the signing of the peace treaty to make advances, without security, to Great Britain, France, Italy, Belgium, and even to new and enemy countries, ostensibly for relief, but in effect to aid reconstruction.

THE DEBTS ANALYZED.

The Committee on the Judiciary of the United States Senate explored the record and reported:

That "millions of dollars of this Liberty loan money were loaned to Great Britain after all hostilities had ceased for the purpose of allowing her to build up her export trade."

That "millions of dollars of this Liberty loan fund were loaned to foreign Governments and by them loaned to various relief and reconstruction organizations."

That "money was loaned to these various Governments so that they could repay it to the United States as interest on loans already made."

That "millions of dollars' worth of products purchased with United States money loaned to foreign Governments were sent directly to Germany with our consent."

That "\$48,000,000 of the American people's Liberty loan money were used for the purpose of sending supplies into Austria, which country was then our enemy."

Nowhere in the record is there one fleeting glimpse of an idea existing in Europe during the war that war things were everybody's in common and should not be finally charged for.

Nowhere in all the subsequent talk of cancellation of debts is there any suggestion that the things the American Government bought and paid for in Europe should be so regarded. There is only the idea that the things the allied countries borrowed in America should be treated as things in common.

America's debtors have never offered to make distinctions. They have never said: "There were things of many kinds. First, let us set apart those things (a) which contributed to the relief and reconstruction of Europe after the war, and (b) those things which contributed to the maintenance of trade during the war, and (c) those American things that we bought on credit before the United States got into the war and afterwards paid for with dollars borrowed from the United States Treasury. We propose that a commission shall be appointed to go into our accounts and trace out all those three kinds of things in order that we may put them aside and treat them for repayment. The remainder will be war things as such, consumed directly in the common effort, and so much of our debt as these represent we propose to you for cancellation."

No; they have talked only of a cancellation of the whole debt; they have talked of this as persistently and doggedly as during the war they resisted every suggestion that anything we got from them should be charged against their obligations to the United States, which is further proof that never did they regard their things in common with ours. There came a time, with 2,000,000 Americans in France, when the American demand for francs in France was greater than the French need of dollars in the United States. Instead of taking the opportunity to reduce their debt to the United States the French

insisted upon charging us dollars for all the francs we needed and having the dollars they got in exchange and didn't need put aside in the United States Treasury as a special credit to be available after the war.

EUROPE MISINFORMED.

Since the only ground upon which the cancellation of war debts may be urged morally is that all war things were in common and not to be charged for, and since clearly that idea never in fact existed during the war and does not now exist except as to our things, not theirs, the question, Should the war debts be paid as a matter of right? is answered.

Then, shall it be supposed that Europe is willfully perverse and fills itself with rage against America in order to rid her conscience of a debt that can not be collected by force or otherwise than as a moral obligation voluntarily paid?

The record, remember, is not a popular document. It is written in a technical language. If Lord Balfour himself could be so misinformed as to fall deeply into error with the subject, how much more excusable it is for the people of Europe—without access to the facts, with no capacity for analyzing the facts—to get a wrong point of view. And Lord Balfour was misinformed on a vital point. There is no other way of accounting for his statement that:

Our liabilities were incurred for others, not for ourselves. * * * The United States insisted in substance if not in form that though our allies were to spend the money, it was only on our security that they (the United States) were prepared to lend it.

What his countrymen did propose was that Great Britain should act as a conduit for all American loans to the allied cause. This arrangement the American Government declined to consider. It insisted always upon making its loans direct to the country requiring credit. On this the record is very clear. In a memorandum addressed to B. P. Blackett, Esq., of the British treasury, from Mr. Albert Rathbone, Assistant Secretary of the United States Treasury, November 8, 1919, the whole matter is summarized thus:

You will recall that the reply of the Secretary of the Treasury to the then chancellor's communication, in which he referred to the British treasury acting as a conduit pipe, was delivered to Lord Reading in the late spring or early summer of 1918. This reply reviewed the situation and definitely refused to make reimbursement to your Government for any of its expenditures for France within the British Empire or for all its like expenditures for neutral purchases. This formal statement of the position of the United States Treasury was in effect a restatement of the position that had been taken during the previous months, as to which the representatives in Washington of the British treasury had been fully informed.

There is the hand of trade again. The advantage to Great Britain of converting billions of dollars into pounds sterling and spending those pounds throughout the British Empire and over all the world on behalf of the Allies is rather obvious. We had at least enough trade sense to see that.

There is yet that bleak other question: Can Europe's debt to the American Government be paid as a matter of fact?

If the answer to "can" is "no," we have only beguiled ourselves with "should." Shylock had done much better long since to write his rue upon those I O U's and post them back to their makers.

But consider what this debt represents—what it represents actually not in money but in things.

It represents a surplus of things produced in 19 months by the labor of 100,000,000 people above their own peace needs and war needs combined and loaned away to other people. That is all it can represent.

What would repayment represent? Merely a return of those things or the equivalent thereof.

Does anyone pretend to say that the 172,000,000 people of Great Britain, France, Italy, Belgium, Rumania, Czechoslovakia, Yugoslavia, and Greece, in 25 years, can not with their labor produce in excess of their own peace needs a surplus of things equivalent to the surplus of things produced in 19 months by 100,000,000 people in excess of their own peace and war needs combined?

It will be—has been—said: "That is all very well; but if we produced the things we could not sell them in the United States. They have raised a tariff wall against us."

The answer to that, if it needs to be answered, is that there is all the world in which to sell things. Besides, here comes Mr. Reginald McKenna, formerly chancellor of the British exchequer, with an argument for the cancellation of war debts that entirely disregards the tariff. In a speech before the American bankers' convention in New York he proposed the riddle that a country can not afford to receive payment of a large debt, and cited the fact that with the payment of the French indemnity to Germany after the Franco-Prussian War Germany suffered a depression of trade while France became more prosperous than ever. At this point the propaganda for cancellation of the debts becomes too complex for human understand-

ing. For if this thesis were true the way for Europe to become fabulously prosperous and lay the United States in commercial ruin is to pay her debts as fast as possible.

However, it is not always absolutely necessary for one country to pay its debt to another in things. It happens that our principal debtor is able to pay out of pocket. In that same speech Mr. McKenna said, "England still owns sufficient foreign securities to cover her debt to the United States two or three times over."

This means that the great bulk of Great Britain's foreign investments, probably \$15,000,000,000, survived the war intact. Possibly, too, Mr. McKenna was thinking inaudibly of the fact that since the war, with interest accumulating on their debt to the United States Treasury, the British have made large new investments in Germany, Austria, the Balkans, and Asia Minor in banking, shipping, industry, and oil—oil particularly. During the war the Government of Great Britain bought into the Anglo-Persian Oil Co., that now, engaged in private trade, is blotting out American competition in Egypt. This investment has recently been referred to in Parliament as comparable to the Suez Canal.

It would be a great wrench, of course, for Great Britain to sacrifice a third of her foreign investments in order to pay her debt to the United States; but if she had not been able to borrow American dollars all those foreign investments would perhaps now belong to the late Imperial German Government.

If the allied countries did not owe us, they might be paying the Germans.

And if the allied countries do not pay us, we shall, to all intents and purposes, have paid the German indemnity.

REPRESENTATION OF AMERICAN LEGION ON PEACE CONFERENCES.

Mr. BROOKHART. I desire to present a statement and petition from the American Legion adopted at their national convention with reference to representation upon the international conference, and ask that it be printed in the RECORD.

There being no objection, the petition was ordered to be printed in the RECORD, as follows:

The following statement with the accompanying digest of manifesto was presented to President Harding at 12.30 p. m. to-day by H. Nelson Jackson, of Burlington, Vt., vice president of the Inter-Allied Veterans' Federation, and R. E. Condon, of New York, member of the national executive committee of the American Legion, and the executive council of the Inter-Allied Veterans' Federation.

The digest of the manifesto summarizes the resolutions on world peace presented by the F. I. D. A. C., and unanimously indorsed by the American Legion at its New Orleans convention, October 19, 1922.

The President is requested, in all future interallied and international conferences on peace—political, economics, or armaments—participated in by this country, to appoint a member of the American Legion, nominated by the national commander, so that those who know most about war may have a voice in the consideration of international efforts toward peace.

Resolutions of a similar nature have been presented to their own Government by the chiefs of other veteran organizations composing the Inter-Allied Veterans' Federation, where they have received favorable recognition.

TO THE PRESIDENT OF THE UNITED STATES.

Mr. PRESIDENT: This committee representing the American delegation to the council of the Inter-Allied Veterans' Federation, wish to avail themselves of this opportunity to express to you the American Legion's and our allied comrades' appreciation for your courtesy and thoughtfulness in receiving the veterans representing more than 15,000,000 participants of the late war of eight allied nations, on the occasion of their recent visit to this country. As you are doubtless aware, Mr. President, the purpose of these distinguished soldiers' visit to this country was in the interest of world peace.

May it please you, sir, if we would read a summary of the manifesto which was signed by these delegates before they return to their homeland.

MANIFESTO.

DIGEST OF THE RESOLUTIONS ON WORLD PEACE PRESENTED BY F. I. D. A. C. AND UNANIMOUSLY INDORSED BY THE AMERICAN LEGION IN NATIONAL CONVENTION ASSEMBLED.

With an earnest desire to promote peace, tranquillity, and good will among nations; secure the institutions of organized society; preserve the sacred principles of liberty and democracy and transmit their blessings to posterity; and establish safeguards to prevent the recurrence of war, we, the undersigned, representing the ex-service men of the signatory countries, agree to submit and endeavor to secure the adoption of our societies represented and through them urge upon our respective governments the following declaration of principles:

1. That all international agreements among governments affecting the entire people shall be open and aboveboard, with full publicity.

2. That treaties make the law between the nations. They must be executed in good faith.

3. To oppose territorial aggrandizement.

4. To vigorously suppress within our own boundaries all persons and propaganda seeking to overthrow by force government existing by will of the people.

5. That the financial policies of the Allied Governments must have as their aim the stability of exchange and the resumption of international commerce, and we recommend the suspension of trade relations with countries maintaining armies organized for aggressive purposes.

6. In view of the distorted political reports tending to unbalance the public mind, we recommend that there shall be established by the F. I. D. A. C. a news-disseminating bureau with representatives in every member country; that this agency shall receive the official sanction of the governments of the respective countries; that it shall col-

lect and issue news designed to offset destructive and inflammatory propaganda, particularly the propaganda put out by the proponents of Bolshevism with the intent to change other forms of government, this without in any way censoring or restricting the freedom of the press.

7. That an international court be established to outlaw war.

8. To proceed as rapidly as conditions permit and when the decrees of such court become operative (except for machinery necessary to maintain them and the minimum police forces) to entirely disarm and disband our land, sea, and air forces and destroy the implements of warfare.

This declaration signed by delegates representing eight allied nations, as follows: Belgium, Czechoslovakia, United States of America, France, Great Britain, Italy, Rumania and Serbia, Croatia-Slovenia, and soldiers' organizations similar to and associating with the American Legion under the consolidation known as F. I. D. A. C. (standing for Federation Interalliee Des Anciens Combattants), with a membership of more than 9,000,000 soldiers.

This, we can assure you, is not merely a grouping of phrases, but the result of a continuous series of conferences covering a period of more than two weeks. There can never be a more striking spectacle than the occasion of those deliberations. One witnessed these men approaching the peace table of our conference with empty sleeves, on wheel chairs, crutches, canes, and, being blind, guided by the hands of their fellow comrades.

1. The Allied Veterans are still the defenders of civilization and free people's rights. After having been faithful soldiers, they now want and strive to be their country's and the world's faithful citizens.

2. The respect of the constitution of their own countries is the basis of the Interallied Veterans' Federation.

3. The veterans are determined that no work in the name of peace shall be neglected. They presented their help to their countries and to the right-thinking world in the time of war and they now present themselves to their countries and to the same world for the furthering of peace. This is a privilege and obligation, but they have in mind also that if another war should occur soon they will be called on to furnish the man power.

4. In the aftermath of the war the allied governments have on several occasions had what at least appeared to be serious differences, and the peoples of the world have been fearful that there was a friction which might result in dangerous consequences. During these periods the allied veterans remained inseparable and sought to understand one another more than ever before. This they did do.

5. The peace that we want will not be a peace consented to at any price, but must be founded on justice toward the victims, individually and collectively.

6. In our associations with the chiefs of our allied veteran organizations we have come to respect and understand their unselfishness and worthiness of principle. We have no suspicions against them, as we know you have none against the eminent men the allied governments sent to represent their nations at interallied and international conferences.

7. We have to place before you to-day, Mr. President, one request in the name of the Interallied Veterans. We most respectfully ask your profound consideration of this subject, because after such we believe you will accept the principle and place it in effect at all the interallied and international conferences on peace—political and economics and on armaments. We ask that at all future conferences there be a true representative of war—a representative of suffering, one who can advise the eminent statesmen and experts on the really vital equation of the horrors of war. We modestly advance this suggestion, Mr. President, that it is needless to point out that there are men in our groups who are preeminently fitted for the peace councils of the world.

8. Our allied comrades have already approached the chiefs of state of their respective nations and received a most favorable consideration of the subject. We ask you in the name of the Interallied Veterans that at any future conferences which have to do with peace of the world that the American Legion, through their national commander, be accorded the opportunity to nominate to you the name of a man who would represent those millions of persons who were afforded the greatest privilege which ever can be bestowed upon citizenship, that of wearing the uniform of their country in the time of war.

H. NELSON JACKSON.
R. E. CONDON.

REPORTS OF COMMITTEES.

Mr. SPENCER, from the Committee on Indian Affairs, to which was referred the bill (H. R. 6294) promoting civilization and self-support among the Indians of the Mescalero Reservation, in New Mexico, reported it without amendment.

He also, from the Committee on Privileges and Elections, to which were referred the following bills, reported them each without amendment and submitted a report thereon as indicated:

A bill (S. 129) to provide for election contests in the Senate of the United States; and

A bill (H. R. 7761) to amend the Revised Statutes of the United States relative to proceedings in contested-election cases (Rept. No. 1014).

INDEPENDENT OFFICES APPROPRIATION BILL.

Mr. WARREN. From the Committee on Appropriations I report back favorably with amendments the bill (H. R. 13636) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1924, and for other purposes, and I submit a report (No. 1015) thereon.

I give notice that on to-morrow I shall ask that the Senate may consider the bill, if it is agreeable.

The PRESIDING OFFICER. The bill will be placed on the calendar.

DEPOSITS OF RECLAMATION FUNDS.

Mr. McNARY. I introduce a bill and ask that it be read and referred to the Committee on Irrigation and Reclamation.

The bill (S. 4349) authorizing the Secretary of the Interior to deposit in State and National banks and trust com-

panies funds accruing under the act of June 17, 1902, was read the first time by its title and the second time at length, as follows:

Be it enacted, etc., That the Secretary of the Interior is authorized, in his discretion, to deposit in State and National banks and trust companies funds which shall hereafter accrue under the act of June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto: *Provided,* That every such bank or trust company in which any such deposit is made shall pay interest thereon at a reasonable rate, the interest to be credited to the reclamation fund, and shall furnish to the Secretary of the Interior either an acceptable bond or collateral security in the form of United States bonds, guaranteeing the safety of the funds so deposited and the payment of the interest thereon.

The PRESIDING OFFICER. The bill will be referred to the Committee on Irrigation and Reclamation.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent the second time, and referred as follows:

By Mr. STERLING:

A bill (S. 4350) authorizing the Secretary of the Interior to erect a monument at Fort Pierre, S. Dak., to commemorate the explorations and discoveries of the Verendrye brothers, and to expend not to exceed \$25,000 therefor; to the Committee on the Library.

By Mr. McKELLAR:

A bill (S. 4351) for the relief of Emma Grooms; to the Committee on Claims.

By Mr. McCORMICK:

A bill (S. 4352) to grant relief from unjust discrimination against importers at ports of entry other than at ports of first arrival under section 319 of the tariff act of 1922, and to authorize the assessment of duty under the tariff act of 1913 on merchandise actually arriving in the United States prior to September 22, 1922, and destined for a port of entry other than the port of first arrival; to the Committee on Finance.

By Mr. McKINLEY:

A bill (S. 4353) granting the consent of Congress to the highway commissioner of the town of Elgin, Kane County, Ill., to construct, maintain, and operate a bridge across the Fox River; to the Committee on Commerce.

By Mr. GERRY:

A bill (S. 4354) granting a pension to Maria A. Ballou; and A bill (S. 4355) granting a pension to Sarah Emma Garvin; to the Committee on Pensions.

By Mr. OVERMAN (for Mr. DIAL):

A bill (S. 4356) to provide a penalty for brokers and commission houses fraudulently neglecting to carry out their contracts; to the Committee on the Judiciary.

SPEECH OF MR. BOYDEN BEFORE THE REPARATION COMMISSION.

Mr. KING submitted the following resolution (S. Res. 407), which was referred to the Committee on Foreign Relations:

Resolved, That the Secretary of State, if not incompatible with the public interest, report to the Senate what instructions, if any, have been sent to Roland W. Boyden, representative of the State Department with the Reparation Commission at Paris, respecting the subject matter of the speech delivered by said Boyden at Paris on January 9, instant, dispatched either before or subsequent to the delivery of the same, and to further report to the Senate whether or not the speech of said Boyden represents the views of the Department of State in the premises.

ATTORNEYS EMPLOYED BY SHIPPING BOARD.

Mr. KING. I offer the resolution which I send to the desk, and I ask unanimous consent for its present consideration. I have submitted the resolution to the Senator from Washington [Mr. JONES], the chairman of the Committee on Commerce, and I understand he has no objection to it.

The PRESIDING OFFICER. The Secretary will read the resolution.

The reading clerk read the resolution (S. Res. 408), as follows:

Resolved, That the United States Shipping Board is directed to report to the Senate the names of all attorneys who have at any time been employed by the board or by or for the United States Shipping Board Emergency Fleet Corporation or by or for any other agency for said board, specifying the attorneys who have been appointed or have acted upon the regular legal staff of the board or of said corporation or other agency, and attorneys who have been specially employed by the board or by or for the said corporation or other agency, together with a statement of all salaries, fees, and compensation which have been paid to each of the same, and also whether or not attorneys who have acted upon the permanent staff of the board or of said corporation or other agency have resigned their offices to enter private practice and have thereafter received retainers or fees from the board or said corporation or other agency, and the amount of the retainers or fees paid or promised to be paid such persons.

The PRESIDING OFFICER. The Senator from Utah asks unanimous consent for the present consideration of the resolution. Is there objection?

Mr. JONES of Washington. Mr. President, the information asked for by the resolution is, of course, entirely proper; the Senate and the Senator from Utah are entitled to it; and I am not going to make any objection to the passage of the resolution. I desire to say, however, that every such resolution which we pass calling for information more or less diverts the clerical force of the Shipping Board from the regular work and means that much additional expense in carrying on their work. Some of the resolutions which we have passed will cost a great deal of money. I merely make that suggestion with the hope that Senators when determining the matter as to whether or not they shall present resolutions for consideration and passage will take that into consideration. As I have stated, this information is entirely proper, and both the Senate and the Senator from Utah are entitled to it. I have no objection to the resolution.

The resolution was considered by unanimous consent and agreed to.

Mr. HARRISON. Before the Senator from Utah takes his seat I desire to ask him a question. I ask the Senator from Utah will the resolution which has just been adopted secure the names of the attorneys with whom either the chairman of the Shipping Board, Mr. Lasker, or Mr. Schlesinger talked in New York, when, as testified by one or the other before the House Committee on Appropriations, they sought to get some attorneys to represent the Emergency Fleet Corporation or the Shipping Board, and called a conference of attorneys in New York, some of whom had cases pending, and asked the heads of those firms of attorneys to recommend some attorney to defend such suits? Will the resolution obtain that information?

Mr. KING. I think this resolution, in connection with another resolution which has been adopted by the Senate, will secure all of the information contemplated in the question which has been propounded to me by my friend from Mississippi.

Mr. HARRISON. The Senator from Utah recalls the testimony to which I have referred which was given before the committee in the other House?

Mr. KING. Yes; I remember it.

Mr. HARRISON. And it seems to me it is quite necessary that that information should be incorporated in any response which may be made to the resolution by the Shipping Board.

Mr. KING. I agree with the Senator from Mississippi.

TAXATION OF STOCK DIVIDENDS.

Mr. BROOKHART. I present a resolution calling for information from the Secretary of the Treasury with reference to the taxation of stock dividends, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The Senator from Iowa presents a resolution, which the Secretary will read for the information of the Senate.

The reading clerk read the resolution (S. Res. 409) as follows:

Whereas the Federal Trade Commission reports 328 corporations have released surpluses by the stock-dividend plan during the calendar year 1922 reaching more than \$2,149,151,425; and

Whereas section 220, revenue act approved November 23, 1921, provides:

"That if any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders or members through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, there shall be levied, collected, and paid for each taxable year upon the net income of such corporation a tax equal to 25 per cent of the amount thereof, which shall be in addition to the tax imposed by section 230 of this title and shall be computed, collected, and paid upon the same basis and in the same manner and subject to the same provisions of law, including penalties, as that tax": Therefore be it

Resolved, That the Secretary of the Treasury is hereby requested to furnish the Senate with the names of companies, amounts, and dates of penalties, if any, imposed by the Commissioner of Internal Revenue during said year of 1922, pursuant to the provisions of section 220, Internal Revenue Laws of 1921.

The PRESIDING OFFICER. The Senator from Iowa requests unanimous consent for the immediate consideration of the resolution. Is there objection?

Mr. CALDER. I ask that the resolution may go over until to-morrow.

The PRESIDING OFFICER. Objection is made, and, under the rule, the resolution goes over.

Mr. BROOKHART. As the resolution is to go over until to-morrow, I desire to have printed in the RECORD in 8-point type for the information of the Senate a letter from the chairman of the Federal Trade Commission embodying a statement of the stock dividends as reported to him from the commission.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

FEDERAL TRADE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, January 4, 1923.

Hon. SMITH W. BROOKHART,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I am inclosing a list of stock dividends declared in 1922, similar to the one that I sent you the other day, but covering the whole year.

Yours truly,

VICTOR MURDOCK, Chairman.

FEDERAL TRADE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, December 21, 1922.

Hon. SMITH W. BROOKHART,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I am writing in response to your letter of December 7, in which you request "certain information relative to stock dividends having been declared by various companies during the year 1922."

In response to your inquiry there are inclosed certain tabulations, compiled from public sources, of stock dividends declared from January 1, 1922, to December 17, 1922, showing the name of the company, the per cent of dividend, the amount, and the source from which the data was gathered.

The commission has not heretofore gathered any data along the line of your request, and to answer the inquiry it was necessary to rely upon readily available published sources, as to gather the information accurately and efficiently would involve a large expenditure of time and money. Consequently the commission can not and does not vouch for the accuracy nor the completeness of these data.

Yours truly,

VICTOR MURDOCK, Chairman.

STOCK DIVIDENDS, JANUARY 1 TO DECEMBER 17, 1922.

The sources consulted are noted below, and are followed by a code notation, which is used in the list of stock dividends declared to identify the source of information:

Poor's Cumulative Daily Digest of Corporation News, Poor.
Commercial and Financial Chronicle, Chron.
Journal of Commerce, New York, J. of C.
Wall Street Journal, Wall.
New York Times, N. Y. T.
Washington Post, Wn. Post.
Christian Science Monitor, Ch. Sci. Mon.

If nothing is suffixed to the amount of the dividend, indicated in column 3, that amount was derived by computation from apparently full data. The suffix "e" means "estimated from incomplete data." The suffix "s" mean that the amount was stated in the source from which the whole item is taken.

The few instances of omission of per cent of dividend and amount may be explained by the fact that the public sources consulted did not give this information, merely stating that a stock dividend had been declared.

Nineteen companies list no dividends.

Stock dividends January 1 to December 31, 1922.

(328 companies—\$2,149,151,425.)

[Data compiled from (1) New York Journal of Commerce, (2) Commercial and Financial Chronicle, (3) Cumulative Daily Digest of Corporation News.]

Name of company.	Per cent.	Amount.
Aberfoyle Mfg. Co.	50	\$833,500
Acushnet Mill.	33½	500,000
Algonquin Printing Co.	100	500,000
All American Cables Co. (Inc.)	20	5,000,000
Allegheny Steel Co.	100	3,152,700
Allen Consolidated Oil	5	109,600
Alliance Realty Co.	25	500,000
American Bank Note	10	449,570
American El. Heater	900	900,000
American Gas & Electric	25	1,401,120
American Laundry Machine Co.	50	3,000,000
American Machine & Foundry	200	4,000,000
American Manufacturing	10	800,000
American National Ins. Co.	100	50,000
American Radiator Co.	50	6,903,113
American Screw Co.	50	1,500,000
American Steel Foundries	18	3,672,180
American Stove Co.	20	1,490,340
Arabol	700	350,000
Aragon Cotton Mills	33½	250,000
Arundel	6	278,238
Atlantic Monthly Co.	(1)	
Atlantic Refining Co.	900	45,000,000
Ayres, L. S., & Co. (Indianapolis)	400	900,000

¹ 8,500 shares, no par value.

Stock dividends January 1 to December 31, 1922—Continued.

Name of company.	Per cent.	Amount.
Babcock & Wilcox	33½	\$5,000,000
Baldwin Cotton Mills (S. C.)	100	400,000
Bank of Manhattan Co.	100	5,000,000
Bank of New York	25	500,000
Bartons Co.	300	270,000
Bates Mfg. Co. (Boston)	50	900,000
Beacon Mfg. Co. (New Bedford)	200	800,000
Beatrice Creamery Co. of Iowa	75	2,100,000
Beechmont Packing Co.	400	3,821,600
Belding Bros.	100	3,000,000
Benz Kid Co.	233	1,400,000
Berkshire Cotton	100	2,500,000
Bigelow-Hartford Co.	100	3,350,000
Borden City Mfg. Co.	50	800,000
Borne, Strymer Co.	400	800,000
Boston Sand & Gravel	37	150,000
Boston Varnish Co.	100	600,000
Bower Roller Bearing Co.	33	200,000
Brewer (C.) & Co. (Ltd.)	100	4,000,000
Brown & Sharpe	1,500	15,000,000
Buffalo Insurance Co.	150	800,000
Buhl Sons Co.	40	
Burroughs Adding Machine	25	6,187,000
Bush Terminal	2½	188,055
California Tel. and Light	36	123,500
Canadian General Electric	20	2,150,000
Cannon Mfg. Co.	200	7,000,000
Carbarrus Mills of Kannapolis	133	4,000,000
Casey-Hedges Co.	20	150,000
Chapman Valve Co.	50	500,000
Charlton Mills (Fall River)	50	400,000
Chelsea Fibre Mills	100	600,000
Chicago Railway Equipment Co.	50	1,500,000
Chicago Title & Trust Co.	40	2,800,000
Cincinnati Union Stock Yards	14½	219,000
City Ice & Fuel Co.	35	1,260,000
Cleveland Union Stock Yards	60	750,000
Clifton (S. C.) Mfg. Co.	25	5,000,000
Cole Motor Car Co.	100	1,000,000
Commercial Credit Co.	30 & 15	450,000
Commercial Investment Co.	25	2,000,000
Commercial Trust Co., N. J.	100	1,000,000
Commonwealth Finance	10	
Connor (J. T.) Co.	40	
Consolidated Gas Co. of N. Y.	100	1,150,000
Continental Can Co.	33½	
Cordingley Co. (Boston)	150	300,000
Cornell Mills	50	200,000
Corn Products Refining Co.	25	8,500,000
Craddock-Terry Co.	10	
Crane Co.	2	1,032,200
Cross Paper Feeder Co.	400	400,000
Crowell Publishing Co.	200	
Cumberland Co. Power & Light	10	230,000
Cumberland Pipe Line Co. (Inc.)	100	1,500,000
Dartmouth Mfg. Co.	100	2,000,000
Davis-Brown Woolen Co.	3,333	435,000
Delaware, Lackawanna & W. Coal	40	4,513,480
Denver Dry Goods Co.	900	4,500,000
Diebold Safe and Lock Co.	100	
Detroit Creamery Co.	50	1,000,000
Detroit Motor Bus Co.	25	
Draper Bros., Canton, Mass.	150	800,000
Dupont Chemical	112½	675,000
DuPont de Nemours Co. (E. I.)	50	31,689,150
Easthampton Thread	200	800,000
Eastern Felt Co.	250	130,000
Elliott-Fisher Co.	40	1,400,000
Ely & Walker Dry Goods	133½	
Emery Drug Co., Baltimore	400	1,000,000
Equitable Trust Co., N. Y.	33½	4,000,000
Exchange & Buffet Corp.	300	937,500
Federal Light & Traction	42	1,050,000
Federal Sugar & Refining Co.	60	4,205,760
Felin (J. J.) & Co. (Inc.), Phila.	50	375,000
Felters Co. (Inc.)	100	1,000,000
Fidelity & Casualty Co., N. Y.	100	2,000,000
Finance Service	5	6,170
Flint Mills	50	580,000
Franklin Nat. Bank, Phila.	50	
Gas & Electric Securities	1	114,356
General Baking Co.	200	40,000,000
General Electric Co.	5	8,009,715
General Fire Extinguisher Co.	20	1,500,000
General Tire and Tube Co.	100	
Gibson Art Co.	25	125,000
Gillette Safety Razor Co.	5	1,428,000
Globe & Rutgers Fire Insur.	400	2,800,000
Goodman Mfg. Co.	100	3,000,000
Great American Insurance	25	2,500,000
Great Northern Paper Co.	200	16,544,000
Greylock Mills	100	700,000
Gruen Sons & Co.	87	
Gulf Oil Corp.	200	80,000,000
Hamilton-Brown Shoe Co.	25	1,000,000
Hamilton Emery and Corundum	400	180,000
Hanover National Bank, N. Y.	66½	2,000,000
Hart and Cooley Co. (Inc.)	50	330,000
Hartford Electric Light Co.	20	2,000,000
Hathaway Mfg. Co., New Bedford	25	250,000
Hawaiian Pineapple Co. (Ltd.)	55	2,000,000
Hayes Wheel Co.	22	359,000
Hayward Woolen Co., Boston	200	400,000
Helm, G. W.	200	2,000,000
Hercules Powder Co.	100	7,150,000
Home Insurance Co.	50	6,000,000
Houghton Mifflin Co.	60	780,000
Humble Oil	75	18,750,000

Stock dividends January 1 to December 31, 1922—Continued.

Name of company.	Per cent.	Amount.
Humphreys Oil Co.	100	\$6,422,500
Hurley Machine Co.	10	100,000
Independent Oil and Gas Co.	200	6,000,000
Ingersoll-Rand Co.	100	10,900,035
International Combustion Eng Co.	200	
International Harvester	2 & 2	3,782,975
Intertype Corp.	10	
Jones (E. D.) & Sons Co.	500	300,000
Kellogg Switchboard & Supply Co.	15	825,000
Kellogg Toasted Corn Flakes	100	
Kilburn Mill, New Bedford	50	750,000
Landis Machine Co.	2,000	950,000
Lanett (Ala.) Cotton Mills	100	1,000,000
Lawyers' Mortgage Co., N. Y.	25	1,500,000
Lawyers' Title & Trust Co.	50	2,000,000
Lederle Antitoxin	50	
Lewiston (Me.) Gas Light Co.	12	50,000
Liberty Banking and Savings	100	
Lincoln Mfg. Co.	40	625,000
Lit. Bros. Corp., Phila.	100	3,500,000
Little Androsoggin Waterpower	100	340,000
Lloyds Plate Glass Insurance Co.	100	250,000
Lockwood Co.	44	1,800,000
Loeser (Frederic) & Co. (Inc.)	200	6,000,000
Louisville Home Telephone	20	
Lowe Bros., Dayton, O.	100	1,000,000
Lowell Bleachery (Mass.)	50	400,000
Lowenstein, M., & Son (Inc.)	100	600,000
McCorry Stores Corp.	10	700,000
Magnolia Petroleum Co.	50	60,000,000
Manhattan Shirt Co.	20	1,000,000
Manila Electric Corp.	40	4,000,000
Manufacturers Finance Co.	12	
Maryland Casualty Co.		1,500,000
Massachusetts Mohair Plush Co.		250,000
May Dept. Stores	30	6,000,000
Mellon Nat. Bank, Pittsburgh	25	1,500,000
Merrimac Mills (Inc.)	200	100,000
Michigan Copper & Brass Co.	200	2,000,000
Millers Falls	200	600,000
Minute Tapioca	50	100,000
Moore Drop Forging Co.	Min, 630	1,834,500
Mortgage Guarantee Co., Balto.	100	200,000
Murray (J. W.) Mfg. Co., Detroit	50	
Mutual Bank, N. Y.	150	300,000
Nash Motors Co.		16,380,000
National Biscuit Co.	75	21,920,000
National Fire Insurance Co.	50	1,000,000
National Fuel Gas Co.	100	18,500,000
National Liberty Insurance Co.	50	500,000
National Sewing Machine Co.	50	1,050,000
National Sugar Refining Co.	50	5,000,000
National Supply Co.	50	13,000,000
National Surety Co.		3,000,000
Neill Mfg. Co., New Bedford	50	430,000
Neuss, Hesslein & Co.	10	1,500,000
New Bedford Cotton Mills	200	700,000
New Niquero Sugar Co.	200	3,000,000
New York Plate Glass Co.	200	100,000
New York Title & Trust	12	500,000
Niagara Fire Insurance Co.	50	1,000,000
North American Co.	1	
Northwestern Yeast Co.	100	3,000,000
Oakdale (R. I.) Worsted Co.	800	480,000
Ohio Oil Co.	300	45,000,000
Pacific Gas & Elec.	2	680,000
Pacific Mills	100	20,000,000
Packard Motor Car Co.	100	11,885,100
Paige Motor Car Co.	100	4,000,000
Pan American Pet. & Transp't	25 & 20	35,088,350
Parke Davis Co.	100	12,000,000
Parkhill Mfg. Co.	400	1,200,000
Parks Shellac	2,400	960,000
Plainfield Trust Co. (N. J.)	65	200,000
Pittsburgh Plate Glass	30	11,250,000
Plymouth Cordage Co.	100	400,000
Pocahontas Fuel Co.	300	13,560,000
Potomaska Mills Corp.	50	600,000
Prairie Oil & Gas	200	40,000,000
Prairie Pipe Line Co.	200	54,000,000
Public National Bank (N. Y.)	15	500,000
Puget Sound Power & Light	20	
Pfd. Acet. Ins.	100	700,000
Pure Oil Co., Columbus, Ohio	75	1,567,510
Putnam's Sons (G. P.)	150	200,000
Quabaug Rubber Co.	100	125,000
Quisset Mill	60	750,000
Reading Rubber Mfg. Co.	200	500,000
Reo Motor Car	100	6,937,230
Republic Cotton Mills	150	18,000,000
Reynolds (R. J.) Tobacco Co.	33	20,000,000
Rice Stix Dry Goods Co.	42	600,000
Richman Bros. Co., Cleveland	100	
Roxbury Carpet Co.	100	1,000,000
Royal Typewriter	61	2,308,971
Ryder & Browns Co.	100	
Saco-Lowell Shops, Boston	50	1,762,500
Sagamore Mfg. Co.	65	1,200,000
St. Louis Globe-Democrat	100	500,000
Saks & Co., N. Y.	800	4,000,000
Sanford Mills	200	5,000,000
Santee Cotton Mill	50	
Schrafft & Son Corp.	300	1,500,000
Scotten-Dillon Tobacco Co.	33	750,000
Scott & Williams (Inc.)		1,000,000
Scovill Mfg. Co., Waterbury	200	10,000,000
Shattuck (F. G.) & Co.		1,498,500
Shuster Woolen Co.	200	400,000
Simmons Co., Kenosha, Wis.	100	

Stock dividends January 1 to December 31, 1922—Continued.

Name of company.	Per cent.	Amount.
Singer Mfg. Co.	33	\$30,000,000
Solar Refining Co.	100	2,000,000
Sorg (Paul A.) Paper Co.	100	750,000
South States Oil	8	160,000
Southern Counties Gas (Calif.)	50	375,000
Spelding (A. G.) & Bro.	100	2,606,900
Standard Milling Co.	60	4,446,085
Standard Oil of Calif.		100,971,111
Standard Oil of Ind.	100	140,000,000
Standard Oil Co. of Kans.	300	6,000,000
Standard Oil Co. of Ky.	66	2,000,000
Standard Oil Co. of N. J.	400	393,353,200
Standard Oil Co. of N. Y.	200,400	150,000,000
Standard Oil of Ohio	100	14,000,000
Standard Sanitary Mfg. Co.	40	
Standard Screw Co.	70	2,100,000
Standard Steel Car Co.	900	26,000,000
Standard Steel Works Co.	100	3,000,000
Standard Undergrd. Co.		1,050,000
Staples Coal Co.	33	489,000
States Oil Corp.	73	292,000
Sterling Salt Co.	100	1,000,000
Stevens Linen Mills	50	350,000
Strathmore Paper Co.	500	8,000,000
Stromberg-Carlson Tel. Mfg. Co.	100	1,000,000
Studebaker Corporation		15,000,000
Taber Mills, New Bedford	33	400,000
Tamarack & Custer Consol. Min	166	3,000,000
Telephone Investment Corp., Reno	100	581,580
Telling Belle Vernon Co.	29	
Texon Oil and Ld.	5	95,239
Tiffany & Co.	40	
Timken Detroit Axle Co.	150	11,711,165
Title Guarantee & Trust	33	1,500,000
Torrington Co.	100	3,500,000
Truscon Steel	15	408,000
Union Cotton Mfg. Co.	50	550,000
Union Mills (Inc.), Boston	100	
Union Natural Gas Corp.	75	7,380,000
Union Oil of Calif.	80	40,000,000
Union Tank Car Co.	50	12,000,000
United Engineering & Foundry Co.		7,500,000
United Royalties Co.	100	402,600
United States Bobbin & Shuttle	200	1,700,000
United States Casualty, N. Y. C.	100	500,000
United States Guarantee	120	300,000
United States Gypsum Co.	10	800,000
Vacuum Oil Co.	300	45,000,000
Victor Talking Machine Co.	600	29,994,000
Virginia Bridge & Iron Co.	50	750,000
Virginia Iron & Coal Co.	50	5,000,000
Wampanaug Mills	33	250,000
Wamsetta Mills, New Bedford	50	
Ward Baking Co.	20	
Washburn Wire Co.	200	
Wanskuck Co., Providence	1,500	7,500,000
West Side Trust	100	300,000
Westchester Title & Mortgage	15	
Westinghouse Airbrake Co.	35	20,000,000
White (R. H.) Co.		1,500,000
White Eagle Oil & Refining Co.	25	
Whitin Machine Wks. (Mass.)	1,400	8,400,000
Whiting & Davis Co., Boston	900	900,000
Whitman Mills Corp., New Bedf.	50	1,000,000
Wilcox Gibbs Sewing Machine	200	1,000,000
Wiscasset Mills	200	2,400,000
Woodruff (S. C.) Cotton Mills	50	232,000
Worcester Salt Co.	100	1,000,000
Wrigley (Wm.), Jr., & Co.	10	1,332,500
Wyman-Gordon Co.	30	1,300,000
Yale & Towne	100	4,998,777
Yellow Cab Co.	300	1,500,000
York Mfg. Co.	100	1,800,000

OPERATION OF TRAMP VESSELS BY THE UNITED STATES.

Mr. FRELINGHUYSEN submitted the following resolution (S. Res. 410), which was considered by unanimous consent and agreed to:

Resolved, That the United States Shipping Board be, and it is hereby, directed to furnish the Senate at the earliest practicable date full information: First, as to whether or not tramp-vessel operations are being conducted and maintained with Government-owned vessels of the United States; if such operations are being maintained, the number of vessels so engaged, where operated, the character and amount of commodities transported, and the amount of tramp tonnage operated by foreigners to and from ports of the United States, and the amount of cargo so carried in foreign tramp ships in so far as such information is readily available, such information to extend back over a period of one year preceding the date of the adoption of this resolution.

Second, if tramp operations are not being conducted and maintained with Government-owned vessels of the United States, a full statement of the reasons why the said board is not so conducting such operations and maintaining such services.

Third, whether or not, in the opinion of the board, it has full and adequate authority under existing law to provide for the operation and maintenance of tramp services with Government-owned vessels of the United States.

INVESTIGATION OF GREAT LAKES—GULF OF MEXICO WATERWAY.

Mr. McCORMICK submitted the following resolution (S. Res. 411), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the President of the Senate appoint a committee to consist of five Members of the Senate, three from the majority party

and two from the minority party, to investigate the problem of a 9-foot channel in the waterway from the Great Lakes to the Gulf of Mexico. The committee shall make a final report of its investigations with recommendations to the Senate not later than May 1, 1924. For the purposes of this resolution, the committee is authorized to sit and act at such times during the sessions or recesses of the Sixty-seventh and Sixty-eighth Congresses and in such places within the United States to hold such hearings and to employ a stenographer and such other assistance as may be necessary. The cost of stenographic service to report such hearings shall not be in excess of 25 cents per hundred words. The committee is further authorized to send for persons, books, and papers, to administer oaths, and to take testimony. The expenses of the committee shall be paid from the contingent fund of the Senate.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by Mr. Overhue, its enrolling clerk, announced that the House disagreed to the amendments of the Senate to the bill (H. R. 13481) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1924, and for other purposes; requested a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. ANDERSON, Mr. MAGEE, Mr. WASON, Mr. BUCHANAN, and Mr. LEE of Georgia were appointed managers on the part of the House at the conference.

The message also announced that the House had passed without amendment Senate bills and a joint resolution of the following titles:

An act (S. 3177) declaring a portion of the West Fork of the South Branch of the Chicago River, Cook County, Ill., to be a nonnavigable stream;

An act (S. 4031) to authorize the construction of a bridge across the Little Calumet River, in Cook County, State of Illinois, at or near the village of Riverdale, in said county;

An act (S. 4032) granting the consent of Congress to the State of Illinois, department of public works and buildings, division of highways, to construct, maintain, and operate a bridge and approaches thereto across the Kankakee River, in the county of Kankakee, State of Illinois, between section 5, township 30 north, and section 32, township 31 north, range 13 east of the third principal meridian;

An act (S. 4033) granting the consent of Congress to the State of Illinois, department of public works and buildings, division of highways, to construct, maintain, and operate a bridge and approaches thereto across the Kankakee River, in the county of Kankakee, State of Illinois, between section 6, township 30 north, and section 31, township 31 north, range 12 east of the third principal meridian;

An act (S. 4069) to authorize the construction of a railroad bridge across the Colorado River near Yuma, Ariz.;

An act (S. 4096) to authorize the coinage of 50-cent pieces in commemoration of the one hundredth anniversary of the enunciation of the Monroe doctrine;

An act (S. 4172) to authorize the building of a bridge across the Great Pee Dee River, in South Carolina; and

A joint resolution (S. J. Res. 258) providing for the filling of a vacancy in the Board of Regents of the Smithsonian Institution of the class other than Members of Congress.

The message further announced that the House had passed bills and joint resolutions of the following titles, in which it requested the concurrence of the Senate:

A bill (H. R. 3184) to amend an act entitled "An act for the relief of the Saginaw, Swan Creek, and Black River Band of Chippewa Indians in the State of Michigan, and for other purposes," approved June 25, 1910;

A bill (H. R. 11475) to authorize the setting aside of certain tribal lands within the Quinault Indian Reservation in Washington for lighthouse purposes;

A bill (H. R. 12777) granting the consent of Congress to the cities of Grand Forks, N. Dak., and East Grand Forks, Minn., or either of them, to construct, maintain, and operate a dam across the Red River of the North;

A bill (H. R. 13128) authorizing an appropriation for the construction of a road within the Fort Apache Indian Reservation, Ariz.;

A bill (H. R. 13139) granting the consent of Congress to the Great Southern Lumber Co., a corporation of the State of Pennsylvania, doing business in the State of Mississippi, to construct a railroad bridge across Pearl River at approximately 1½ miles north of Georgetown, in the State of Mississippi;

A bill (H. R. 13195) granting the consent of Congress to the State Highway Commission of Missouri, its successors and assigns, to construct, maintain, and operate a bridge and approaches thereto across the St. Francis River, in the State of Missouri;

A bill (H. R. 13351) authorizing the Secretary of the Navy, in his discretion, to deliver to the Daughters of the American Revolution of the State of South Carolina the silver service which was used upon the battleship *South Carolina*;

A bill (H. R. 13474) granting the consent of Congress to the county of Winnebago, the town of Rockford, and the city of Rockford, in said county, in the State of Illinois, to construct, maintain, and operate a bridge and approaches thereto across the Rock River;

A bill (H. R. 13493) to authorize the State road department of the State of Florida to construct, maintain, and operate a bridge across the Escambia River, near Ferry Pass, Fla.;

A bill (H. R. 13511) granting the consent of Congress to the city of St. Paul, Minn., to construct a bridge across the Mississippi River;

A bill (H. R. 13655) to validate certain allotments of land made to Indians on the Lac Courte Oreille Indian Reservation in Wisconsin;

A joint resolution (H. J. Res. 16) providing for pay to clerks to Members of Congress and Delegates; and

A joint resolution (H. J. Res. 261) for the appointment of three members of the Board of Managers of the National Home for Disabled Volunteer Soldiers.

The message also announced that the House had passed the bill (S. 4131) granting the consent of Congress to the city of Sioux City, Iowa, and to Union County, in the State of South Dakota, to construct, maintain, and operate a bridge and approaches thereto across the Big Sioux River at a point 2½ miles north of the mouth of said river, between section 14, township 89, range 48, Woodbury County, Iowa, and section 15, township 89, range 48, Union County, S. Dak., with an amendment to the title, in which it requested the concurrence of the Senate.

The message further announced that the House had passed the bill (S. 4133) granting the consent of Congress to the State of North Dakota and the State of Minnesota, the county of Pembina, N. Dak., and the county of Kitson, Minn., or any one of them, to construct a bridge across the Red River of the North at or near the city of Pembina, N. Dak., with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had adopted Senate Concurrent Resolution No. 30, declining Battell gift of land in Vermont for a national park, with amendments changing it to a joint resolution, in which it requested the concurrence of the Senate.

VIEWS OF SENATOR JOHNSON ON EUROPEAN SITUATION.

Mr. MOSES (Mr. Ladd in the chair). I ask unanimous consent to have printed in the Record in 8-point type an article appearing in the New York Times of Sunday by the senior Senator from California, Mr. JOHNSON.

There being no objection, the article was ordered to be printed in the Record in 8-point type, as follows:

[From the New York Times, Sunday, January 14, 1923.]

WHY "IRRECONCILABLES" KEEP OUT OF EUROPE, TOLD BY HIRAM JOHNSON—NEED NEW SPIRIT THERE—SENDING OVER OUR MONEY WOULD NOT AID PEACE, BUT BRING WAR.

(By HIRAM JOHNSON, United States Senator from California.)

Just a century ago the new Republic of the Western Hemisphere enunciated a definite foreign policy which has withstood the vicissitudes of time and has become the historic bulwark of the Americas. When the Monroe doctrine was enunciated in 1823 it was substantially the answer to the persuasive appeals made to the United States to become a part of the European system. The Czar Alexander, strange mixture of mysticism, altruism, egotism, intrigue, duplicity, and deceit, had presented to a wondering world his Holy Alliance under which all governments in the administration of their respective States and in their political relations with other governments should be guided by the precepts of religion. Because he desired to extend the membership of the league, and because, too, he wished a counterpoise for Great Britain, Alexander by every persuasive art endeavored to entice the new Republic to his view. In a recent brochure on the Holy Alliance, Doctor Cresson remarks:

"During the great crisis of reconstruction following the Napoleonic wars, Emerson in voicing the liberal opinion of New England but repeated the warnings of Washington. Yet many reasons insistently urged a 'moral participation' in European affairs. Moreover, the invitation extended to the United States to share in the councils of Europe, as we shall have cause to note in the present chapter, was no less insistent than at the present day.

"The decision which the statesmen of the Washington Cabinet were called upon to take with respect to American participation in the affairs of Europe during the period from 1815 to 1818 recalls the no less momentous problems of the present time."

The Massachusetts Peace Society wrote the Czar enthusiastically. The New York Post of that day remarked concerning

one of Alexander's conferences—and Doctor Cresson states "conference" was a form of negotiation which Alexander seems generally to have found irresistible and never missed an opportunity of holding—"if discussions run upon the means of consolidating the peace of the world * * * and removing the burden of taxes and unwieldy military establishments which press at this moment upon every country, the members of the Holy League will establish an imperishable claim on the gratitude of mankind."

The Czar, in his secret instructions to his representatives as the means of seducing the young Republic from its national policy, told them to take the steps necessary to persuade public opinion in the United States, and to tell the people of the United States that "they were themselves a European people, Christians, and, therefore, like Europe, interested in questions of a general nature." How familiar it all sounds!

SHADOW OF THE CZAR.

Those were anxious days for Adams and Monroe and their companions at Washington. They plainly foresaw what Castle-reagh and Canning, of Great Britain, learned by intimate touch with the Holy Alliance. The Czar's grandiloquent scheme finally degenerated into the doctrine of monarchical legitimacy and threatened interference with liberalism upon the American Continent. Castlereagh announced that Great Britain would intervene in the affairs of others only with "good offices," a policy subsequently characterized by Canning as "resuming her isolation."

"The ground I wish to take," wrote Adams in his diary, "is that of earnest remonstrance against the interference of the European powers by force in South America—but to disclaim all interference on our part with Europe."

"As the Holy Alliance has come to edify and instruct us with their principles," he continued, "it is due in candor to them and in justice to ourselves to return the compliment." Perhaps we may be pardoned if we follow Adams's advice.

As the crisis became acute and Britain's policy became known, Monroe issued his now justly celebrated pronouncement, which, in reality, ended the pretensions of the Holy Alliance and presented in concrete form a definite American foreign policy forbidding the powers of Europe to extend their system to the American Continent or to control the destinies of its inhabitants, warning against any future attempts at colonization and conceding the corresponding obligation (obligation to the peoples concerned and to our own) not to interfere in the internal concerns of Europe. The policy indeed has been a cardinal one in America's life.

After a hundred years of successful operation, under which the infant Republic has become the greatest, richest, and most powerful country on earth, America is asked again, upon the doubtful plea of moral responsibility, to become a part of the European system. Those of us who have been called "irreconcilables" are resisting with such vigor and ability as we have the insidious attempt and are fighting with such force as we can muster to maintain our country in the path we know which has brought us to our present eminence and success.

The same arts of persuasion, the same sinister influences so valiantly resisted by our statesmen a hundred years ago, intensified a thousandfold by the complexities of our modern civilization, are now utilized again to compel us to enter upon the course we have always shunned. Propaganda, in our day practically an exact science, has been employed to the fullest extent. Civic and religious organizations, like the Massachusetts Peace Society of 100 years ago, have been wrought to a pitch of hysteria by appeals to their aspirations for general peace and the betterment of mankind. And the wickedest part of the present struggle is that the loftiest human attributes of good men and women are unconsciously distorted by cunning intrigue and persuasive, iniquitous propaganda for their country's undoing.

THE "INTELLECTUAL" STAND.

There is another class, too, contributing its share to our present hysteria. There are certain individuals who hug to themselves the title "intellectuals," who contemptuously scorn all petty virtues and who scoff at patriotism. In their superior wisdom and their all-embracing world desires they forget their country and would even leave us naked and defenseless. These "intellectuals" revel in the title of internationalists; and nationalism and patriotism are with them mere terms of reproach.

Great Britain a century ago, when her safety no longer was at stake, retired, as her statesmen termed it, into her "splendid isolation."

Great Britain to-day, if we read carefully the various conferences of the premiers, is again retiring into her splendid isolation, and until Great Britain is directly concerned and her

material interests demand it, I venture to predict her policy in the future will be that which she adopted during the reconstruction period of the Napoleonic wars.

Three years ago the aspiration for our participation, as it was termed, in world affairs, performance of our moral obligation to all mankind, assumed the definite demand that we ratify the treaty of Versailles and enter the League of Nations. After literally months of acrimonious discussions and perverted appeals we declined the invitation and, as some of us thought, reaffirmed the definite policy which had withstood the test of time and had been ours since we became a Nation. Time has demonstrated the wisdom of the Senate in failing to ratify the treaty of Versailles. How few are its advocates now!

The inexorable facts of the last three years have proved, too, the unwisdom of entering the league. Very recent events have demonstrated its futility. One of the treaties written contemporaneously with the treaty of Versailles has been rewritten in the blood of Christians in the Near East. Another has been revised in the tears of a starving people. The League of Nations, a living entity, has stood idly by while its two most powerful members fomented a war between peoples in the Near East, a war which, only when it threatened a general conflagration, caused the intervention of those who had contributed to it. But while peoples there were slaying one another, while one side acted with the aid of one member of the league and its opponent was urged to the slaughter by another, supine and indifferent the league itself sat, although the world knew and all the world now knows the culpability of the league's two most powerful members.

The hysterical demand that all wars would cease by our entrance into the league has changed to another hysterical plea. The appeals in the two instances are in the same generic phrases. Pictured to us now are the suffering of Europe, and starving peoples, and as the troubles and desolation harrow our feelings and arouse every sympathetic impulse the demand is made again that we enter the European system; and the same old phrases, "play our part in the world," "perform our obligation to humanity," "rescue civilization," and the like, are hurled at us from the press and the pulpit, from civic and religious bodies, and by good men and women wrought to a high frenzy by reiteration of the world's woe and anguish, hunger, desolation, and suffering. None can be indifferent to these appeals nor to the prevailing conditions, none so callous or so hardened that he would not willingly aid.

WHAT COULD WE DO?

The new appeal, however, for us to aid the world and save civilization, unfortunately, unlike the former, with its definite demand for entrance into the league, is wholly nebulous. How we "play our part," "perform our world obligations," "succor suffering humanity," and "save civilization" rests in mere aspiration. That we ought to do all these things is clear to our opponents; that they can not be accomplished they dimly see. But nevertheless they have heard so much of world concert and so detest "isolation" and "isolationists" that they would have us forego our old policies and, without counting the cost or reckoning the future, make our country a part of Europe.

What are we to do either in conference or upon the Reparation Commission? To advise, to extend our good offices? That, presumably, we are doing now, and that we can do without either conference or commission. The advocates of the "conference" would have us reach understandings and agreements for the solution of the world's economic ills. The advocates of membership upon the Reparation Commission doubtless see the same end. And perhaps the two suggested plans are not far different, because the crux of the economic situation in central Europe is the question of reparations, with its collateral problems. If we call a conference to reach understandings and agreements, of necessity we must be a part of that conference. If a part of it, we must see it through. If agreements are reached, we must do our part in their execution.

It would be contemptible to call a world conference and then stand aside and say to our guests, "Now settle your own problems; we'll have nothing to do with them." And when we agree upon the solution in good faith we must carry it out. What must be considered? Reparations, and not the amount but the method of collection and enforcement. Collection and enforcement require supervision—supergovernment.

Already there is just that in the Reparation Commission. Supergovernment requires power—power to enforce its decrees. The power now exists in the Reparation Commission. Shall the United States become a party to an agreement to furnish money and men for the enforcement of reparations? Baldly

put, this is where either of the proposed plans leads us. At once, if we undertake to carry out the decrees of a conference or become officially a part of the Reparation Commission, we are inextricably entangled in European controversies. We are the one going, solvent, national concern. Place us in a position where we may be used and the possibilities are obvious. It is true we might brave the perils; perhaps the obvious menace we could escape; but by endangering ourselves we endanger our ability to be of service. We do no more by tying ourselves to Europe's difficulties than deprive ourselves of the disinterested position which is our principal asset of world helpfulness to-day.

WOULD NOT HELP FARMERS.

Very cunningly in the present propaganda the plight of our farmers is invoked. If we can but have a "conference," if only we enter the Reparation Commission, if we will but throw in our lot with the rest of the world, the prices of agricultural products will soar and the distress of our farmers be alleviated. Never was there a more unwarranted or a meaner appeal. The internationalists pay our farmers a poor compliment when they imagine that by dangling the bait of higher prices farmers will forget their country's future. But the appeal to cupidity is wholly illusory. The present state of Europe is attributable in great part to the waste of war, which can only be made good by years of toil and frugal living; it is attributable in part to the ruin of Russia; it is attributable in part to the Balkanization of Europe; it is attributable in part to the ambitions and aborted policies of short-lived cabinets. No conference, no league, can re-create in one or many years the destruction which war has wrought. The tables of our exports demonstrate the falsity of the propaganda now so general among our farmers. Taking us into Europe will not aid our farmers. International bankers will reap the benefit and the farmers will pay the price.

There are just three forms of "assistance" which the United States can give in Europe. One is advice. One is force. One is money.

There are just two methods by which any one of these forms of "assistance" can be delivered. One is through action by the United States alone. The other is through action by the United States in a group or groups of European powers. For a century—and as firmly under Woodrow Wilson as under James Monroe—we have repudiated and rejected "assistance" from Europe. The friends of American intervention in Europe are after all seeking a "world organization" only in name. What they in fact are seeking is a European organization of which the United States shall be a member—a European rescue party in which the United States shall do the rescuing, a European settlement of which the United States shall be the guarantor.

Europe thus would be nothing in the Americas and the United States would be everything in Europe. If I were a European I would reject that prospect as vigorously as I now reject it as an American. The situation makes Europe, the motherland of America, the ward of her daughter.

Friendly advice and good offices, if desired, could always cheerfully be given. Advice certainly may not harm him who gives or him who takes. If we feel that we have wisdom which Europe needs, there is no impediment now to the dispatch of any desired quantity of it from Washington to any European capital. No league is needed, no international economic conference is required, no new cables need to be laid, in order to convey the helpful thoughts of our State Department to the European shore. If in America we have produced ideas not known in Europe, if here we have developed a mentality beyond that of Lord Balfour and the other statesmen of Europe, we are in full liberty now to communicate that fact and the fruits of it to an amazed and delighted European population.

The truth is that we have no ideas which are not equally current in Europe. A reading of the European press, a consideration of the speeches of European statesmen, must prove to every fair and calm mind that in the mental armory of America there is no weapon, there is no expedient, not equally known to the leaders of European politics. What Europe lacks is not good ideas. It has all of them that there are. What it lacks is the will to put them into operation.

How shall that will be supplied? It seems to be contended that it could be supplied by American force or by American money.

Every proposal for American intervention in Europe means—if it means anything at all except hypocrisy and deception—participation by America in European agreements; and the only forms of action for making those agreements effective are the forms represented by either force or money.

"MORAL MIGHT" DEFINED.

It is said that American force would never be in practice "needed." It is said that the "moral might" of America would hold European disturbers in awe without any use, actual or potential, of American force. Just what is it that produces this "moral might" of America?

The harsh fact—which our sentimental internationalists refuse to face—is that the overpowering "moral might" of America is only a polite phrase for the overpowering physical might possessed by the United States and available to the United States Government in the enforcement of its governmental will, whether in the Western Hemisphere or on the Rhine.

The situation, then, in one aspect which Europe presents to us, according to those who would have us enter into political agreements with European governments, is as follows:

Europe is unable by its own force to maintain peace within its own borders and it summons the force—the actual force or the potential force; the force exercised or the force threatened—of America.

It is shocking; it is an appalling conclusion. It means the abdication of Europe and its physical guardianship by America. I am unable to believe that Europe actually wants that guardianship; and even if I were finally persuaded that it did actually want it, I would, not only for America but for the sake of Europe itself, persist in believing that it should not be granted.

Europe for its own sake must establish its own modes of European peace. It must develop—even as we developed in 1789—a policy capable of maintaining friendship between jealous separate sovereign States. We made our Constitution not under the tutelage of European policemen but by exertions which, since they were our own, gave us a future stanchly and securely corresponding to our needs. Europe must accomplish a similar achievement in a spirit of similar self-reliance if European civilization is to continue to be European and if it is to be able accordingly to produce in Europe a genuinely sound and healthy European future.

I imagine, however, that while a few misguided Europeans and a few Americans may wish to fill Europe with American soldiers or with the coercive shadow of them, the great majority of Europeans and Americans who speak of American intervention desire not the help of our soldiers but the help of our dollars.

Indeed, I have no doubt of it, and in this I am confirmed by contemporaneous publications abroad. The Manchester Guardian recently said: "But until America is prepared to release Europe from a great part of her debts American 'intervention' must be confined to good advice. Advice, unfortunately, will not stabilize the mark or fill a hole in the French budget." Here's the definite mode of aiding Europe: Cancel the debt due or give money. I challenge those in official position who prate of "intervening" in Europe, economically or otherwise, to advocate cancellation of the foreign debt. They dare not do it. I challenge them to advocate additional governmental loans to Europe. Cancellation of the debt or giving more money are the only methods Europe suggests of economic aid. Is the American exponent of European interference really intending this, while cloaking his lachrymose utterances in general precatory phrases? If so, it's hypocrisy we have to combat, pretence and insincerity, for our people will not cancel the debt nor make additional advances.

I insist that whatever financial help is needed by Europe can be secured from our bankers without any "assistance" from our Government—at any moment when Europe will so rearrange its own political affairs as to make an investment in Europe a safe investment. Our Government has made its last loan for many a day to Europe. It will neither loan more public money nor underwrite the loan of private money.

WHAT MONEY WOULD DO.

One leading banker has already laid down to Europe the terms on which he would be willing to regard an investment in Europe as a safe investment. I speak now of investments on a large scale. Investments on a smaller scale—yet on a scale really, after all, most impressive—have been going forward by Americans in Europe continuously since the armistice.

Seven or eight billions of American dollars—probably ten billions—have gone to Europe in one sort of investment or another since armistice day. Has this investment produced European peace? Would a doubling or trebling of it produce European peace? The realities of the European situation answer an emphatic negative.

If a European Government becomes richer this year than it was last year, does it thereupon reduce its army and contract

its diplomatic adventures? Does it cease with new revenue to hate its rivals and to prepare to resist them and to ruin them? If Poland were solvent instead of bankrupt, would she cede to Russia the Russian territory which she now occupies? If Britain received from us a total cancellation of her debt to us, would she retire from her perilous situation with the Turks among the oil wells of Mosul? If France had all the money in the world, would she cease her armaments or love the Germans or ask them to unfurl the German flag once more over the German soil on the left bank of the Rhine?

These questions reveal the preposterousness of the idea that American money can produce European peace. American money poured into Europe—as Europe is to-day—would not retard the next European war. It would accelerate its advent. It would give Europe only the possibility of more soldiers, more cannon, more aggressions, more resistance, and a more rapid and assured arrival of the inevitable cataclysm.

What Europe needs is not rescue but regeneration; and regeneration can not be imposed by force or bought with money. It must proceed from within. In Europe it must be brought about by European self-examination, European contrition, European amendment. American intervention only delays that process. The isolation of America is not Europe's ruin. It is a necessity to Europe's salvation. I do not feel the need of apologizing to Europe for America's isolation. I think that Europe one day will thank America for it. By refraining from mingling itself in Europe's internal affairs, America will have hastened the reemergence into this world of a Europe soundly organized within itself and destined accordingly to be Europe and not an annex to America.

I therefore shall support—to the very end—the totally “irreconcilable” policy of refusing all American governmental force and all American governmental money and all American participation in conferences and agreements leading to the use—out-right or implicit—of American governmental force or money for Europe. I maintain—and shall maintain—that this policy is both the wise and safe course for America and the shortest route to the great end which every American desires—the restoration, the revival, the renewed grandeur of the culture of the Continent from which we have our being.

THE “IRRECONCILABLE” POSITION.

The attitude of the “irreconcilable” is dictated, however, primarily by his love of America, his jealousy of the cherished institutions of the Republic, and his firm resolve that they shall endure. It is in some circles deemed trite now to refer to Washington—quotations from him excite there a derisive smile, but with a prescience peculiarly his, Washington foresaw and understood that the young Nation he nourished could only rise to greatness and reach permanency through a distinctive American character. As one eminent biographer has said, in his whole foreign policy, “the American spirit was his polestar.” His aim, and that aim until recently every great American has emulated, was to be American and “make the people and the Government American.”

We have seen the struggling little Republic of Washington, because of its American character, grow and grow until it is to-day the giant among the nations of the earth. We won respect abroad and happiness at home, and we won our success and renown because we maintained America free from political connections with other countries. Washington's policy and its corollary, the Monroe doctrine, made the United States neither hermit nor meddler. They insulated us against the intrigues of the political life of the Old World; and thus insulated, thus independent, America's participation in the life of the world can be larger and better, because united in its support will be all Americans enjoying in common “an American character.”

Plain is our road, and known. If we but keep it, the future of our country is not uncertain. The true “irreconcilable” has dedicated himself to an America “independent of all and under the influence of none”; fulfilling all engagements which duty requires; maintaining a strict neutrality unless obliged by imperative circumstances to depart from it; doing justice to all nations, and from all nations demanding justice; cultivating friendly relations with every nation, and tolerating entangling alliances with none—in short, keeping the Republic free and unfettered, just American.

HOUSE BILLS AND JOINT RESOLUTIONS REFERRED.

The following bills and joint resolutions were severally read twice by title and referred as indicated below:

H. R. 3184. An act to amend an act entitled “An act for the relief of the Saginaw, Swan Creek, and Black River Band of

Chippewa Indians in the State of Michigan, and for other purposes,” approved June 25, 1910;

H. R. 11475. An act to authorize the setting aside of certain tribal lands within the Quinault Indian Reservation in Washington for lighthouse purposes;

H. R. 13128. An act authorizing an appropriation for the construction of a road within the Fort Apache Indian Reservation, Ariz.; and

H. R. 13655. An act to validate certain allotments of land made to Indians on the Lac Courte Oreille Indian Reservation in Wisconsin; to the Committee on Indian Affairs.

H. R. 12777. An act granting the consent of Congress to the cities of Grand Forks, N. Dak., and East Grand Forks, Minn., or either of them, to construct, maintain, and operate a dam across the Red River of the North;

H. R. 13139. An act granting the consent of Congress to the Great Southern Lumber Co., a corporation of the State of Pennsylvania, doing business in the State of Mississippi, to construct a railroad bridge across Pearl River at approximately 1½ miles north of Georgetown, in the State of Mississippi;

H. R. 13195. An act granting the consent of Congress to the State highway commission of Missouri, its successors and assigns, to construct, maintain, and operate a bridge and approaches thereto across the St. Francis River in the State of Missouri;

H. R. 13474. An act granting the consent of Congress to the county of Winnebago, the town of Rockford, and the city of Rockford, in said county, in the State of Illinois, to construct, maintain, and operate a bridge and approaches thereto across the Rock River;

H. R. 13493. An act to authorize the State road department of the State of Florida to construct, maintain, and operate a bridge across the Escambia River near Ferry Pass, Fla.; and

H. R. 13511. An act granting the consent of Congress to the city of St. Paul, Minn., to construct a bridge across the Mississippi River; to the Committee on Commerce.

H. R. 13351. An act authorizing the Secretary of the Navy, in his discretion, to deliver to the Daughters of the American Revolution of the State of South Carolina the silver service which was used upon the battleship *South Carolina*; to the Committee on Naval Affairs.

H. J. Res. 16. A joint resolution providing for pay to clerks to Members of Congress and Delegates; to the Committee on Appropriations.

H. J. Res. 261. A joint resolution for the appointment of three members of the Board of Managers of the National Home for Disabled Volunteer Soldiers; to the Committee on Military Affairs.

AGRICULTURAL DEPARTMENT APPROPRIATIONS.

The PRESIDING OFFICER (Mr. Ladd in the chair) laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 13481) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1924, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. McNARY. I move that the Senate insist on its amendments, agree to the conference asked by the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer appointed Mr. McNARY, Mr. JONES of Washington, Mr. LENROOT, Mr. OVERMAN, and Mr. SMITH conferees on the part of the Senate.

BIG SIOUX RIVER BRIDGE, S. DAK.

The VICE PRESIDENT laid before the Senate the amendment of the House of Representatives to the bill (S. 4131) granting the consent of Congress to the city of Sioux City, Iowa, and to Union County, in the State of South Dakota, to construct, maintain, and operate a bridge and approaches thereto across the Big Sioux River at a point 2½ miles north of the mouth of said river, between section 14, township 89, range 48, Woodbury County, Iowa, and section 15, township 89, range 48, Union County, S. Dak., which was to amend the title so as to read: “An act granting the consent of Congress to the city of Sioux City, Iowa, and to Union County, in the State of South Dakota, to construct, maintain, and operate a bridge and approaches thereto across the Big Sioux River at a point about 2½ miles north of the mouth of said river, between section 14, township 89, range 48, Woodbury County, Iowa, and section 15, township 89, range 48, Union County, S. Dak.”

Mr. NORBECK. I move that the Senate concur in the amendment of the House.

The motion was agreed to.

BRIDGE ACROSS THE RED RIVER OF THE NORTH.

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 4133) granting the consent of Congress to the State of North Dakota and the State of Minnesota, the county of Pembina, N. Dak., and the county of Kittson, Minn., or any one of them, to construct a bridge across the Red River of the North at or near the city of Pembina, N. Dak., which were, on page 1, line 6, to strike out "one"; and to amend the title so as to read: "An act granting the consent of Congress to the State of North Dakota and the State of Minnesota, the county of Pembina, N. Dak., and the county of Kittson, Minn., or any of them, to construct a bridge across the Red River of the North at or near the city of Pembina, N. Dak."

Mr. KELLOGG. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

FIRST REPORT OF UNITED STATES COAL COMMISSION.

The VICE PRESIDENT laid before the Senate a communication from the secretary of the United States Coal Commission, transmitting, pursuant to law, the first report of the commission, dated January 15, 1923, which was referred to the Committee on Education and Labor.

POSITIONS IN UNITED STATES VETERANS' BUREAU.

The VICE PRESIDENT laid before the Senate a communication from the Director of the United States Veterans' Bureau, transmitting, pursuant to law, a statement as of January 1, 1923, indicating the total number of positions at a rate of \$2,000 or more per annum, the rate of salary attached to each position, and the number of positions at each rate in the central office, also a statement indicating corresponding information as of December 1, 1922, for the district and subdistrict offices, which was referred to the Committee on Appropriations.

RURAL MARKETING AND CREDIT FACILITIES.

The VICE PRESIDENT. Morning business is closed.

Mr. McLEAN. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Senate bill 4280.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 4280) to provide credit facilities for the agricultural and live-stock industries of the United States; to amend the Federal reserve act; to amend the Federal farm loan act; to extend and stabilize the market for United States bonds and other securities; to provide fiscal agents for the United States; and for other purposes.

The VICE PRESIDENT. The Secretary will resume the reading of the bill.

The reading of the bill was resumed on page 15, line 10, as follows:

No permit to begin business in any State of the United States shall be granted to any corporation organized under the provisions of this act unless the Comptroller of the Currency shall determine that the laws of such State afford adequate protection to advances made upon the security of warehouse receipts covering agricultural commodities or chattel mortgages upon live stock with respect to (a) bonding, licensing, and inspection of warehouses; (b) recordation of chattel mortgages or deeds of trust on live stock; (c) recordation of brands or other identifying marks on live stock; (d) reporting and recording of interstate shipments and slaughter of live stock; and (e) right of mortgagee to release a portion of the mortgaged property without prejudice to the priority of lien as against junior lienors or other creditors of the mortgagor.

SUPERVISION BY THE COMPTROLLER OF THE CURRENCY.

SEC. 10. That all corporations organized under the provisions of this act shall be under the supervision of the Comptroller of the Currency, who shall be charged with the execution of all laws of the United States relating to the organization, regulation, and control of such corporations. The comptroller shall exercise the same general power of supervision over the operations of corporations organized under the provisions of this act as he now exercises over national banks under the laws of the United States.

In addition to the two Deputy Comptrollers of the Currency now provided for by law, there shall be in the Bureau of the Comptroller of the Currency a third Deputy Comptroller of the Currency, who shall be appointed in the same manner and shall take a like oath of office and give a like bond as the deputy comptroller now provided for by law. Under the direction of the Comptroller of the Currency such additional deputy comptroller shall have charge of the administration of the provisions of this act and shall perform such other duties as shall be assigned to him by the Comptroller of the Currency. The Comptroller of the Currency is hereby authorized to employ such additional examiners, clerks, and other employees as he shall deem necessary to carry out the provisions of this act and to assign to duty in the office of his bureau in Washington such examiners and assistant examiners as he shall deem necessary to assist in the performance of the work of that bureau. The salaries of the Deputy Comptrollers of the Currency and of such additional examiners, assistant examiners, clerks, and other employees shall be fixed in advance by the Comptroller of the Currency. The salaries of the two deputy comptrollers now provided for by law and of all national-bank examiners and assistant examiners assigned to duty in the office of the bureau in Washington in connection with the supervision of national banks shall be considered part of the expenses of the examinations provided for by section

5240 of the Revised Statutes, as amended; and the salaries of such additional deputy comptroller and of all examiners, assistant examiners, clerks, and other employees appointed under the terms of this act and assigned to duty in connection with the administration of this act shall be considered part of the expenses of the administration of this act: *Provided, however,* That the salary of the additional deputy comptroller provided for by this act shall be considered partly an expense of the examinations provided for by section 5240 of the Revised Statutes and partly an expense of the administration of this act in proportions to be determined from time to time by the Comptroller of the Currency with a view to a fair apportionment of such expense, until such time as it shall be necessary for such additional deputy comptroller to give his full time to the administration of this act. The Comptroller of the Currency shall have power to levy semi-annually upon the corporations operating under the provisions of this act, in proportion to their total assets, an assessment sufficient to pay the expenses of the administration of this act for the ensuing half year, together with any deficit carried forward from the preceding half year. Each such corporation shall pay the amount so assessed against it to the Treasurer of the United States subject to the order of the Comptroller of the Currency, to be disbursed by the comptroller in payment of expenses incurred in the administration of this act.

The comptroller shall have power to appoint and fix the compensation of examiners to examine corporations organized under the provisions of this act or to use national-bank examiners for this purpose. All examiners appointed by him shall be subject to existing provisions of law relating to national-bank examiners and to the provisions of the Federal reserve act which prohibit national-bank examiners from performing any service for compensation for any bank or officer and from disclosing the names of borrowers or the collateral for loans without obtaining the written consent of the comptroller, and such provisions shall be held to apply to examiners appointed to examine corporations organized under the provisions of this act.

Mr. SIMMONS addressed the Senate. After having spoken for some time,

The PRESIDING OFFICER (Mr. LADD in the chair). The hour of 2 o'clock having arrived, it becomes the duty of the Chair to lay before the Senate the unfinished business, which will be stated.

The ASSISTANT SECRETARY. A bill (H. R. 12817) to amend and supplement the merchant marine act, 1920, and for other purposes.

Mr. CURTIS. I ask unanimous consent that the unfinished business be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered; and the Senator from North Carolina will proceed.

Mr. SIMMONS. Mr. President, I wish to submit for the consideration of the Senate some observations upon the pending bill, commonly known as the Capper bill. I do not wish what I shall say to be understood as importing opposition to its enactment, but as in the nature of criticism of it upon the ground of its insufficiency and inadequacy to accomplish the professed purpose of its sponsors.

I do not say that the proposed bill is bad legislation or that it will be hurtful legislation. I do not see any special harm to come from the enactment of it. Legislation of this character ordinarily might be treated with more or less indifference, but for the fact that the ineffectiveness of legislation intended to meet an emergency calling for prompt and effective action frequently operates as an embarrassment and hinders the adoption of necessary legislation. For this reason, while I see no special harm in the pending bill, I am very much afraid its enactment will be made the excuse for the postponement of proper and adequate legislation.

I regard the Capper bill as of very little consequence so far as it is designed in any way to help agriculture, to help the so-called "dirt" farmer, the man who makes his living by the cultivation of the soil. My reasons for this opinion are twofold—first, because I do not believe that in the agricultural sections, as distinguished from the stock-raising sections, the machinery provided in this bill will be put into operation, because its provisions will be found impracticable of successful application to the conditions.

I do not doubt that the provisions of the bill relating to stock raising will be both practical and helpful in the great stock-raising sections of the country. I can readily conceive that in that portion of our country where the chief industry is stock raising upon a large scale there may be inducements sufficient to interest capital to invest in the establishment of the loaning corporations provided in this bill, notwithstanding their limited field of operation. My second reason for the belief that this bill will not be of help to agricultural interests is because the restrictions imposed upon advancements for this purpose make it valueless to the farmer.

With these general observations, I want to address myself to the provisions of this bill; and let it be understood now that I am not speaking of the Lenroot bill, and let it also be understood that I am not speaking of the provisions in the bill which propose to amend the Federal reserve act and the farm loan act. Provisions for the amendment of those two Federal agencies are contained both in the Capper bill and in the Lenroot bill. I think the amendments so proposed are very val-

uable and will be helpful to the farmer and the stock raiser. I am now addressing myself exclusively to the new system of agricultural credits which the Capper bill undertakes to create and put into operation.

The bill provides a system of primary credit corporations, corporations created for the purpose of lending money to farmers and stock raisers, corporations the capital of which is to be altogether furnished by individual subscription. These banks are each to have a paid-in capital of \$250,000 before they are permitted to commence business. The bill also creates a system of rediscount credit corporations, each with a paid-in capital of not less than a million dollars, which capital must also be raised by private or corporate subscription.

These banks—and they are in a sense banks, though called in the bill corporations—whether primary banks or rediscount banks, are to be owned and operated entirely by private capital. The Government is not to invest a penny under the plan. The only thing the Government has to do with it is to maintain, through the Comptroller of the Currency and the board put in charge of the system, a general supervision and control over the operations of the institutions of the system, largely for the purpose of stabilization and safeguarding these institutions against mismanagement. My chief objection, as indicated, to the measure is the ineffective and misleading manner with which it deals with agriculture. First, so far as the farmer is concerned, as I have already said, the scheme is wholly impracticable and will not become operative in the agricultural States, and for two good and sufficient reasons.

First, it will be exceedingly difficult, if not impossible, to raise the capital with which to start the business and establish the banks. Two hundred and fifty thousand dollars is a large sum of money, especially when it must be raised in large part, if raised at all, by an industry which admittedly is not prosperous at this time, which is a borrower of money, and therefore without ability to furnish the cash capital required in the establishment of these institutions.

Mr. TOWNSEND. Mr. President—

The VICE PRESIDENT. Does the Senator from North Carolina yield to the Senator from Michigan?

Mr. SIMMONS. I yield.

Mr. TOWNSEND. I have not studied the bill carefully, but I am curious to know whether under it the stockholders and incorporators would be confined to farmers.

Mr. SIMMONS. No; they would not.

Mr. TOWNSEND. Anyone could organize these corporations?

Mr. SIMMONS. I shall get to that within a few minutes. I said that if a farmer were able and had the money he no doubt would be tempted to invest it, because if established the system would furnish a source of credit which in some way might be helpful to him, and if he had the money he would have an interest in investing it in this way. But outside capital does not have that personal interest in the creation of such banks. Outside capital would only invest in it, therefore, when there appeared a profit-earning possibility.

The system is defective not only from the standpoint of the inability of the farmer, who is immediately concerned, to furnish the money, but it is defective in that it does not offer a sufficient profit inducement to tempt outside capital that might otherwise invest. Let me develop that. Why do I say that? I say that for the reason that according to the very terms and conditions of the bill these banks, located in agricultural districts, as distinguished from stock-growing districts, are so circumscribed and so limited as to the character of business they may do as to afford no adequate inducement to outside capital.

Mr. TOWNSEND. In order that the Senator may answer what I have in mind—

Mr. SIMMONS. Will not the Senator just let me finish developing that, and then I will be very glad to have him interrupt? I want the Senator to let me state the facts upon which I base that conclusion. I base it upon facts disclosed in the bill, and I want to state them, because I think probably they have not been called to the attention of the Senator or the Senate. Then I shall be more than delighted to have him interrupt me.

Let me call attention, in support of my contention, to section 4. It reads as follows:

That each corporation so organized shall have power under such rules and regulations as the Comptroller of the Currency may prescribe—
(1) To make advances upon, to discount, to rediscount, or purchase, and to sell or negotiate, with or without its indorsement or guaranty, notes, drafts, or bills of exchange and to accept drafts or bills of exchange, which—

I ask the Senator from Michigan [Mr. TOWNSEND] if he is following me, to note the word "which"—

which—

(a) Are issued or drawn for an agricultural purpose or the proceeds of which have been or are to be used for an agricultural purpose.

(b) Have a maturity at the time of discount, purchase, or acceptance not exceeding nine months.

(c) Are secured at the time of discount, purchase, or acceptance by warehouse receipts or other like documents conveying or securing title to nonperishable and readily marketable agricultural products.

Now, there is not a line in the bill authorizing the corporation to extend any relief to agriculture by direct loan except that provision, which provides that the loan must be for an agricultural purpose, the maturity must be not exceeding nine months, but that no loan for an agricultural purpose for nine months or any other length of time shall be made except it be secured by warehouse receipts upon nonperishable agricultural products that are readily marketable. So that the sole and exclusive function and business of the corporation in a purely agricultural section would be to lend to farmers for agricultural purposes only where the debt was secured by a warehouse receipt.

That is all the business the bank can do. It can not lend to a farmer for the purpose of helping him to produce a crop. It can not make a loan to the farmer upon his land. It can not lend to the farmer upon his horses, his mules, his tractor, his wagons, his carts, or his farming implements, however valuable they may be. It can not lend to him upon his growing crop, although it may be planted and may be in a thriving condition and may promise large returns. It can not make a loan to the farmer upon personal security of any kind, or upon solvent indorsement. His character, his ability, and his reputation for thrift count for nothing in the transaction. The bank, so far as agricultural advances are concerned, can do no business under these provisions except to loan or discount paper secured by mortgage or lien for nonperishable, readily marketable agricultural products.

How does anyone expect a bank with no right to receive deposits, with such restrictions upon its power to do business, to get capital from the outside? If the farmers wish to raise money for the purpose of establishing a bank and desire the assistance of outside capital, they can go to the State and apply for a charter by the same general processes that are set up in the bill, and get it authorizing the creation of a bank for agricultural purposes in the main, with the right and privilege to do a general banking business, with less hampering requirements as to supervision, reserves, and so forth. Why should the farmer or why should outside investors in these circumstances invest their money in a bank of the sort proposed in the pending bill?

I now yield to the Senator from Michigan if he still desires to interrupt me.

Mr. TOWNSEND. I do not construe the bill as the Senator does. Subdivision (c), to which the Senator referred, under section 4, is a provision by which the bank can rediscount paper that is sent to it. It has the ordinary power, as I understand it, of the ordinary bank. It has the special privilege, which the ordinary bank does not have, of rediscounting such paper as that to which the Senator has referred. But that is only one subdivision relating to the powers of the bank.

Mr. SIMMONS. Will the Senator be so kind as to point out to me one word in the bill that authorizes them to receive deposits or do any kind of banking business except to lend money for agricultural purposes under conditions such as I have described? The provision with reference to advances on stock is more liberal, but I am now addressing myself to agricultural loans—

Mr. TOWNSEND. I think it refers equally to nonperishable agricultural products as it does to stock raising. That is my understanding of the bill.

Mr. SIMMONS. The power to lend money upon notes for agricultural purposes upon nine months' maturity is limited by the terms of the bill which I have read to paper secured by agricultural products.

Mr. TOWNSEND. The bill gives the banking corporation to be created the power to charge the same rate the ordinary bank does.

Mr. SIMMONS. Where it makes a loan of the kind it is permitted to make.

Mr. TOWNSEND. It has the same advantages as to interest rates, then.

Mr. SIMMONS. I submit that the chairman of the committee will not contend that under the bill a bank could lend money for agricultural purposes except as I have indicated.

Mr. McLEAN. A bank?

Mr. SIMMONS. The bank which is to be created under the Capper bill.

Mr. McLEAN. The Senator loses sight entirely of the new section 13a.

Mr. SIMMONS. At what page?

Mr. McLEAN. Page 35.

Mr. SIMMONS. That is with reference to loans by the Federal reserve banks.

Mr. McLEAN. Yes.

Mr. SIMMONS. I have already stated that I am not discussing at this time the proposed amendment of the Federal reserve act. I am discussing the provisions of the Capper bill outside of the amendments proposed to the Federal reserve act. I stated distinctly in the beginning that I would not at this time discuss the amendments which are proposed to the Federal reserve act and which I said are very valuable.

Mr. TOWNSEND. I beg the Senator's pardon. I supposed he was talking about the bill and the amendments which were reported to the committee and are now before the Senate.

Mr. SIMMONS. I am talking about the Capper bill.

Mr. LENROOT. Those provisions are in both bills.

Mr. SIMMONS. I know they are in both bills; but the bank which is authorized to be set up under the provisions of the Capper bill can not make an agricultural loan, as I understand it, unless that agricultural loan is secured by a warehouse receipt. Is not that true?

Mr. McLEAN. Yes; that is true so far as those corporations are concerned. But if the Senator will take into consideration the amendments proposed to the Federal reserve act it will be seen that what we call growers' paper—notes secured by nothing except the character of the farmer if he wants the money for the purpose of buying fertilizer or horses or mules or implements—may be accepted. He can go to any bank and get his note for nine months discounted, and thus that note is eligible for rediscount in the Federal reserve bank.

We have gone to all lengths in the matter of extending credit to growers, far beyond anything that was recommended by the commission of agricultural inquiry, because they insisted that the limit should be six months; and yet upon further deliberation the committee felt that they would go to all lengths in extending to growers an accommodation of nine months' maturity.

Mr. SIMMONS. Oh, yes; but that, if the Senator will pardon me, is a loan to be made by a Federal reserve bank.

Mr. McLEAN. Yes; by the bank.

Mr. SIMMONS. And not by the bank about which I am talking; not by the bank permitted to be set up under the bill.

Mr. McLEAN. Not by the Federal reserve bank, but by a member bank; any bank that is a member of the Federal reserve system.

Mr. SIMMONS. Yes; but these Capper bill banks are not to be members of the Federal reserve system.

Mr. McLEAN. No; we did not intend that they should be. They are finance corporations.

Mr. SIMMONS. Let me call the Senator's attention to section 13a, and that is very valuable. I will say to the Senator that I am exceedingly glad we are to have an amendment of that sort to the Federal reserve act. It reads:

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose or based upon live stock and having a maturity, at the time of discount, exclusive of days of grace, not exceeding nine months.

That is a loan authorized to be made by the Federal reserve bank. That is not a loan authorized to be made by one of the agricultural credit banks. That is the point I am making. I am making the point that the credit banks are not authorized, under the terms of the bill, either expressly or impliedly, to lend money upon agricultural paper, except when secured by a warehouse receipt.

Mr. McLEAN. The Senator even there is confining the limits of the bill to chattel mortgages or other like instruments.

Mr. SIMMONS. That is as to live stock.

Mr. McLEAN. Not necessarily.

Mr. SIMMONS. The very language confines it to live stock, if the Senator will pardon me. The language then proceeds:

Or by chattel mortgages or other like instruments conferring a first and paramount lien upon live stock which are being fattened for market.

That is the provision defining the powers of the proposed rural credit corporations or banks proposed to be created by the Capper bill with loans to stock raisers.

Mr. STERLING. Mr. President, if the Senator will yield—

Mr. SIMMONS. Certainly.

Mr. STERLING. There is other language in connection with the term "warehouse receipts" which the Senator from North Carolina does not seem to take into consideration.

Mr. SIMMONS. "Or other like documents."

Mr. STERLING. The language to which I refer is—warehouse receipts or other like documents conveying or securing title to nonperishable and readily marketable agricultural products.

Of course, there may be something else than the warehouse receipts, distinctively so known, upon which he may procure a loan—other documents conveying or securing title than warehouse receipts. A warehouse receipt is evidence of his title to so much grain in the warehouse. So a bill of sale is evidence of his title to the property.

Mr. McLEAN. The Senator is right in that the paper must be secured.

Mr. SIMMONS. Yes; the paper must be secured and it must be secured by warehouse receipts or other documents covering nonperishable agricultural products—warehouse receipts or other documents conveying or securing title. What is the difference? There is no difference, of course. We may have a warehouse receipt or some other document conveying the same title, but the point I am making is that it is confined to nonperishable, readily marketable agricultural products—things already produced. It makes no difference whether the pledge of the property is by warehouse receipt or other conveyance of title.

Mr. STERLING. My idea was simply that it should not be confined to warehouse receipts; and the Senator from North Carolina, I think, shares that impression.

Mr. SIMMONS. The same principle is applicable, no matter whether the particular paper taken is a warehouse receipt, chattel mortgage, or any other "like document." The language is "warehouse receipts or other like documents conveying or securing title to nonperishable and readily marketable agricultural products." So what I said holds. Not a dollar may be loaned by these proposed credit corporations for agricultural purposes, for nine months or any other length of time, unless the loan be secured by a mortgage or warehouse receipt upon "nonperishable and readily marketable agricultural products," which means, of course, that the crop must be produced, the thing must be in existence, it must be nonperishable, and it must be readily marketable. That is the limitation upon the power of these institutions to lend money for agricultural purposes.

Mr. TOWNSEND. Does the Senator believe that such loans should be made without security?

Mr. SIMMONS. They must be made upon this particular security the bill provides; they may not be made upon any other kind of property.

Mr. TOWNSEND. I ask the Senator does he believe that the banks should be authorized to loan without adequate security?

Mr. SIMMONS. Certainly not; but if the bank is to be of any service to the farmer, if it is to be sufficiently profit-earning to induce capital to enter into it, so as to make it feasible and practicable to establish such banks, if it is to be either beneficial to the farmer, in fact, if it is to ever come into existence, I think we shall have to broaden its lending powers and not limit them to lending money to farmers upon the conveyance of title to "nonperishable and readily marketable agricultural products" which have already been produced. We have got to extend the power of the bank to lend money to farmers upon any security which may be adequate and may be approved, for the purpose of enabling them not only to sell the crops they have already produced but to finance the making of the crops which will never be produced unless the farmers can finance their production.

Mr. CAPPER. If the Senator from North Carolina will yield, I desire to say that I hope he will keep in mind the fact that the agencies set up in title 1 are not banks, and it is not contemplated that they shall attempt to do what is commonly known as a banking business or to take care of production credits.

Mr. SIMMONS. I wish to have the Senator who introduced the pending bill or the chairman of the Committee on Banking and Currency to answer a question. It does not make any difference whether the \$250,000 capitalized primary lending institutions which the bill authorizes to be established be called banks or corporations, for they are intended to perform some of the functions of a bank and some of the functions of a corporation, and may be called one or the other; but do the Senators or any of those who have interrupted me contend that under the terms of the pending bill those institutions will be able to advance money to farmers for agricultural purposes except it be upon security in the nature of a lien or a mortgage or a warehouse receipt upon "nonperishable and readily marketable agricultural products"? Do those Senators contend

that those institutions will have any power to lend money upon the security of any property other than that I have specified, or will have any power to receive deposits or to conduct general loaning or banking business? As I have indicated, by the very terms of this bill, which, of course, will be subject to strict construction, will not their lending power for agricultural purposes be restricted to the security upon the class of products to which I have referred? I ask the chairman of the Committee on Banking and Currency if that is not true?

Mr. McLEAN. I think the Senator from North Carolina is right.

Mr. SIMMONS. Then we have that point established. It is true that the committee has inserted in the bill—and I thank him for it and I thank the committee on Banking and Currency for it—an amendment greatly enlarging the functions of the Federal reserve banks and their member banks with reference to making loans to farmers. It is very valuable; but those are loans which the member bank of the Federal reserve system is authorized to make to farmers and not loans which are authorized to be made by the proposed rural-credit corporations which the Capper bill sets up. I am glad we now have that distinction well established.

Mr. President, I wish to ask as a practical business question, is it conceivable that outside capital would furnish the money to establish the proposed banks in view of their narrow and limited power to carry on business, for they are limited to loans to stock raisers and farmers and can only loan to a farmer on pledge or conveyance of nonperishable farm product already produced and ready for market.

The banks proposed to be created must have a paid-in capital of \$250,000 each, and when the farmers succeed in getting the money for such a bank and it is paid in, one-fourth of it must be taken out and deposited with the Federal reserve bank as a reserve fund, and if the farm-credit bank creates an indebtedness it must increase its reserve fund in the Federal reserve bank, so that, including the 25 per cent, it will always equal 7½ per cent of the entire indebtedness of the corporation.

I am not going to stop at this point to criticize that feature, but it is a very strange thing to me that this provision with reference to reserves should have been put into this bill. If it were thought necessary to require these banks to use one-fourth of their capital as reserve, why did the bill require these funds of the farmers, so to speak, this money raised for the purpose of financing the operations of agriculture, to be placed in the Federal reserve banks, thereby using the farmers' money for the purpose of swelling the rediscount resources of the commercial system?

There is proposed to be set up here in juxtaposition with this primary bank a rediscount farmers' corporation with a capital of a million dollars. Its function, and its sole function under this bill, is to rediscount the paper of the primary credit corporation or bank; it is the reservoir from which the primary banks may draw their means to finance their customers, just as the Federal reserve banks constitute the reservoir from which the member banks of that system may draw in case of need. Why does not the bill permit the reserve fund of 25 per cent which is exacted from the primary corporations or banks of this new system to be deposited with the rediscount agricultural banks and thereby strengthen the reservoir from which they may by drawing rediscounts supply the cash requirements instead of putting it in the commercial banks?

Mr. McLEAN. As to the million-dollar bank, the rediscount bank, it is not required to have any reserve at all, and sound banking would require that there should be a liquid reserve for the system somewhere. So the bill requires that such reserve shall be kept by the smaller banks, and it might as well be kept in the Federal reserve system as anywhere else, because it can not be used.

Mr. SIMMONS. Mr. President, let me get another thought before the Senate. I was happy to make clear to the Senate the other proposition which I have presented. The system proposed to be set up for the farmers by the pending bill is championed by the chairman of the agricultural bloc in this body. It is analogous in its framework to the Federal reserve system. It has its member banks, namely, the \$250,000 primary banks; it has its parent bank, to wit, the million-dollar rediscount bank. One is a local bank; the other is a rediscounting bank. The rediscount bank takes the place of the Federal reserve bank; the lending bank takes the place of the member bank in the Federal reserve system. When the member bank in the Federal reserve system is required to deposit a reserve, it deposits it with the Federal reserve bank. That is its discount bank; and that strengthens that bank.

Now, when we come to a farmers' system it seems to me—and if I am wrong about it I wish to be put right—if we are going to require the member corporation, so to speak, the primary lending bank, to take one-fourth of its funds and put them in a reserve fund to be deposited somewhere else, by analogy with the Federal reserve system, the bill ought to require that that reserve fund shall be deposited in this rediscount bank, thereby strengthening and augmenting its ability to aid the primary institutions of the system. It seems to me that the farmer is done an injustice when this reserve fund, which comes out of the capital he invests in his primary lending bank, is deposited in the Federal reserve bank instead of the rediscounting banks of the new system.

Mr. McLEAN. Mr. President, it is desirable to have a reserve somewhere.

Mr. SIMMONS. I am not objecting to a reserve; I am objecting to its diversion from the farm credit system.

Mr. McLEAN. The Senator will concede that there should be a liquid reserve somewhere.

Mr. SIMMONS. I am not objecting to a reserve. The Senator does not understand me as making any objection or any criticism as to the reserve. It is all right. It is intended to secure the creditors of these banks, and it is all right. The point I am making is that you ought not to take this fund that is part of the farmer's financing fund and deposit it in an agency of the commercial banking system. You ought to deposit it in the rediscounting bank which you have set up for the benefit of the farmer and as a part of your rural credit system.

Mr. McLEAN. It would not add to the rediscounting power of the smaller bank to require that its reserves be deposited with the parent bank. It would not add a dollar to its money-lending facilities or power. The Senator can see that.

Mr. SIMMONS. Does the Senator from Connecticut mean to say that all the reserves that are deposited in the Federal reserve banks do not in any way strengthen those institutions?

Mr. SMOOT. They do not weaken the banks, however.

Mr. SIMMONS. No; but they strengthen those institutions instead of strengthening the institution of the farmer. You have set up here one system for your commercial bank, and you are proposing to set up another system for agriculture. I do not want you to undermine that in any way. I do not want you to take any prop from under it. I do not want you to use the farmers' fund for the purpose of strengthening some other system.

Mr. McLEAN. The smaller banks can discount up to ten times their capital and surplus. No limit at all is put upon the parent bank. There is no trouble about the parent bank discounting any quantity of paper that is presented by the smaller banks, provided it is approved by the Federal Reserve Board; so that it would not strengthen the smaller banks a particle if they kept their reserves with the parent bank. Moreover, the law provides that the Federal reserve banks may purchase the acceptances of the parent bank, the million-dollar bank, and there you complete your chain; and it seemed to the committee that it was altogether proper that these reserves should be kept with the Federal reserve banks.

Mr. SIMMONS. Of course, I do not agree with the Senator, and I ask if he can show any reason why these reserves should not be kept with the farmers' rediscounting institutions?

Mr. McLEAN. I know of no reason why they should be kept with the parent bank. It would not benefit the smaller banks a particle; and in view of the fact, as I have just said, that the Federal reserve banks may purchase the acceptances of the large banks whenever they think the public interests require it, it is entirely proper that the reserves should be kept with the Federal reserve banks.

Mr. SIMMONS. Oh, Mr. President, that is beside the point. It is true, of course, that there is a provision in the amendment which the committee proposes to the Federal reserve system that authorizes the Federal reserve banks in certain conditions to purchase or to rediscount the paper of the rediscount agricultural credit associations; but that is the only provision there is in the bill for the rediscounting by the Federal Reserve Board of any of the paper of these agricultural banks, either the primary bank or the rediscount bank. Here is the provision:

That the Federal reserve act, as amended, be further amended by adding at the end of section 14 a new paragraph, as follows:

"(f) To purchase and sell in the open market, either from or to domestic banks, firms, corporations, or individuals, acceptances of corporations organized under the Federal agricultural credits act whenever the Federal Reserve Board shall declare that the public interest so requires."

There is not a line in this bill that directly provides that either the small bank or the big agricultural bank can discount

its paper with the Federal reserve banks, except the provision that in case the Federal Reserve Board shall find and declare that the public interest requires that that be done, it may then be done. In other words, if a war emergency or some other condition of things more distressing than the present doleful state of affairs in agriculture shall happen, then, to save the situation, as an emergency measure, the board may, if it can be persuaded and if the financial interests will permit it, declare that there is a public necessity for the rediscount of this paper by the Federal reserve bank, and then it may rediscount it, and not until then. With the rediscounting powers of the Federal reserve bank as broad as they are for the accommodation of commercial interests, when the farmer's paper comes there, and comes through a bank created by the Federal Government under the protection of the Federal Government, why should it be necessary to gather together that board and to convince them that a very exceptional and extraordinary situation has been created in order that the farmer's paper may enter the sacred portals of the commercial reserve banks of the country?

Mr. McLEAN. Of course, the Senator knows that we are not creating commercial banks. We are creating these new corporations.

Mr. SIMMONS. Yes; and why such iniquities, why such injustice, why such discrimination against the farmer?

Mr. McLEAN. We can not give them all the privileges of the member banks when they are in no sense banks. They can not accept deposits. They are organized merely for the purpose of financing particularly the cooperative marketing associations; and there is great need, as it seems to the committee, of establishing organizations for that purpose.

Mr. SIMMONS. If the Senator will pardon me, you permit them to lend money. You permit them to discount paper. You assume control and supervision over them. You have them examined. You require them to deposit with the Government a reserve fund to secure their obligations and their notes, and yet you say that they are not banks in the sense that the paper which has come into being through an instrumentality that you provide is not entitled to equal participation in the benefits of your Federal reserve discounting system.

Mr. McLEAN. We did not believe that it was sound banking or proper to give to these institutions all the benefits and rediscounting privileges that the member banks of the country have.

Mr. SIMMONS. Mr. President, that is beside the question. It may not be proper to confer upon them the broad functions of banking that you have conferred upon the commercial banks. I think it is, but in your judgment it may not be proper; but you have found that it was proper to confer upon them certain banking functions, the power to do certain things, and very important things, that banks do, and that power involves the issuance of paper and the discount of notes; and to carry on that system which you have inaugurated they ought to have the same privileges of rediscount with the Federal reserve system which is given to like paper and like business when carried on by the member banks of the Federal reserve system.

Mr. McLEAN. The committee felt—and I think the committee was entirely right in its conclusion—that these institutions, if they wanted to receive the benefits of the Federal reserve system, should organize banks, and not these finance corporations. If they want to do a banking business, let them organize as banks. Their capital of \$250,000 renders them eligible, and there is no objection to their doing that; but we felt that it was a very promising experiment to try to organize these rediscounting corporations for the purpose of accommodating the cooperative marketing associations.

I know that in my section of the country the growers of tobacco have recently formed a large cooperative association. They have succeeded in getting their accommodations at the banks, to be sure; but had one of these large corporations been formed it is quite probable that they could have gotten their accommodations there, possibly at a lower rate of interest. It is unwise to invite a pyramiding of these rediscounts, first in the primary bank or the smaller bank, then to rediscount with the parent bank, and then for the parent bank to take it to the Federal reserve bank. It seemed to the committee that it was unwise to confer upon these corporations all the powers and privileges of rediscount which the national banks now have, and I think it is unwise.

Mr. SIMMONS. That is merely the Senator's opinion, of course, and I find no argument to support it in what he has just said. I have pursued that line of argument as far as I care to and I am satisfied to let it rest there.

Mr. President, when I was diverted into the discussion of this reserve provision of the bill I was laying down the proposition that it was perfectly evident from a business standpoint

that this measure, so far as it seeks to help agriculture as such, probably would be found inoperative, and would seldom, if ever, be invoked. I think that is too clear to require further demonstration. There would be no way to get the money to set up these banks. The farmer does not have it. If he had it there would be very little inducement to put it in. The outside investor will not do it because the business which the corporation may do—and I am speaking of a strictly agricultural community, not of a stock-raising community—is so limited and so narrow that there is really no prospect of profit. Besides, if the farmer wants to establish an institution, and he can raise the money for the purpose for which these corporations are proposed to be created, he can get a charter from his State just as well as he can from the Federal Government, and a charter which will not so circumscribe and limit his activities.

Under this bill he is denied the right to receive deposits. Deposits constitute largely the money with which commercial banks do their business. The only means these banks have of increasing their capital is to sell more stock or to sell debentures, and incur debt. Whether those debentures will be salable in the markets or not, I think is exceedingly questionable. I doubt very much whether they would meet any ready response in the market unless the interest rates were exceedingly high, because the privilege of exemption from taxation, which is conferred upon the farm-loan banks, and even the joint-stock lands banks, is denied to these banks. The only source of funds, therefore, is through the creation of debts, and they can only borrow upon bonds. They can not borrow upon their notes at the commercial banks. They are not authorized to borrow money except upon debentures secured by such collaterals as they may take in the course of their business.

Denied these powers to do business generally, out of which great profits can be made in case they should get a charter for a State bank, does anybody believe that they would deliberately invest their money in a Federal bank with these limited powers, when by investing their money in a State bank they might do everything that is provided in this bill as permissible for the corporation to do, and, in addition to that, might carry on the general business of a banking and trust company?

But suppose we concede that these banks will be attractive investments, which they will not be, and that they will be established all over the country, which they will not be, and that they will furnish to the farmers of the United States abundant credits for the purpose of marketing and distributing their products. Even so, is that all the relief the farmers of this country are asking or are to get from the Congress? Is the financing of the distribution of the farmer's crop the main trouble with which he now struggles and labors?

Are there not outside of this system reasonably adequate facilities with which the farmer can finance this part of his operations? The cooperative associations which this bill permits to take the benefit and advantage of this act—these cooperative associations, created for the purpose of marketing and selling the farmer's products, are coming rapidly into being all over the country, and I take it that within a very short time especially the nonperishable crops of this country will be largely sold through those associations. They will become the great distributing agencies of farm products in this country. They largely are now, in some parts of the country. They are functioning splendidly. But I do not think they are in any great distress about getting money.

There is nothing I can see in the Federal reserve system which interferes with their getting relief through it. They have the farmer's products in their hands. Is it cotton? Is it tobacco? It has been turned over to them. The legal title has been vested in them upon the making of a small cash payment. They have a perfect right to mortgage or pledge it to secure money. They need to secure it at one time for only enough to make one payment—first the advance payment, then the first deferred payment, then the second deferred payment, and then the last deferred payment. These payments come in regular order. When they pledge the crop for the first payment, the whole crop is mortgaged and the security is superabundant. When they have sold off a part, the loan made to get the money for the first payment is canceled, and then they have the balance of the crop to secure the second deferred payment; and the process goes on until the end.

The point I am making is that there is in the hands of these associations an abundance of the very best security in the world, and all they need is a loan for three months for the next deferred payment, and that they can secure from the Federal reserve banks through their member banks or the War Fi-

nance Corporation, because their paper is eligible paper. But independently of the Federal reserve bank, I do not think these cooperative associations have found any difficulty in getting advances upon these products to finance their distribution by orderly marketing processes.

It is not a matter of borrowing money when the crop is made and harvested. When the crop is harvested the farmer has something to sell to get money. He has tangible security to offer for a loan, if he does not wish to sell. He is not in any particular distress with reference to borrowing money upon the pledge of his finished product. That is not the time when he is in need of money. The time when he needs money and can not get it is when he is making that crop. He needs money to buy his horses and his mules, to buy his tractors, to buy his trucks, to buy his farming implements, to buy the seed which he plants, to pay for the labor employed in the making of his crop. For nine long months, beginning with January and ending about October, the farmer is spending money from day to day, not little money, but big money, in the preparation of his land, in the cultivation of his crops, in the harvesting of his crops, and during that time no money is coming in from any source whatsoever. It is to meet these daily expenditures, when he is getting no money, when he has nothing to sell, when he is engaged in the intensive and expensive processes of production, that he needs help. He does not so much need help when his labors are finished, when his daily expenditures are over, when his product is ready for the market, and the market is ready to take it.

I want to ask the sponsor of this bill, who sits before me, Senator CAPPER, if there is one line in his bill, if there is one syllable in his bill, which provides for lending one dollar to the farmer for the purpose of enabling him to produce a crop? And I wish to remind him that it must be obvious to him and everybody that if the farmer can not finance the production of his crops there will be no products upon which he can borrow money.

Mr. CAPPER. I will say to the Senator that we do not undertake to handle production credits through the machinery set up by this bill. This measure simply undertakes to aid in the orderly marketing of the products of the farm by creating these agricultural credit corporations and the rediscount corporations which will handle the farmer's paper, and it liberalizes the banking machinery we already have with reference to agricultural paper, widens the door to the Federal reserve bank, and enlarges the opportunities for the marketing of a certain class of agricultural paper, which will probably be of longer maturity, and which as a rule banks now are not anxious to handle. They prefer the short-time, liquid paper, but we undertake now to find another outlet through these agricultural credit corporations and through these larger rediscount corporations for that large volume of paper which as a rule probably would run from six to nine months and which is confined largely to the marketing of the products of the farm and to the live-stock industry.

Mr. SIMMONS. Mr. President, I will concede that the bill is much more liberal in its terms with reference to financing the live-stock industry. The point I wish to bring to the attention of the Senate is that there is a strange omission in this bill. I had understood that the representatives of the farm bloc were proposing to deal with these problems in a broad and generous way toward the farmer, but there is a strange omission in the bill to provide any means by which the farmer can obtain credit to enable him to make his crop. After he has made his crop this bill provides, as do other bills, a source from which he can get credit. But when it deals with the farmer, even after he has made the crop, it allows him to discount his paper with his bank only upon his giving security upon his crop.

It does not even permit him to take advantage of this system for the purpose of borrowing money upon his own credit, upon his personal property other than his crops, or upon personal indorsement, in case it should be convenient for him to present solvent indorsements. It seems to me it deals very hardly with the real farmers.

The PRESIDING OFFICER (Mr. LADD in the chair). The hour of 2 o'clock having arrived, it becomes the duty of the Chair to lay before the Senate the unfinished business, which will be stated.

The ASSISTANT SECRETARY. A bill (H. R. 12817) to amend and supplement the merchant marine act, 1920, and for other purposes.

Mr. CURTIS. I ask unanimous consent that the unfinished business be temporarily laid aside.

The PRESIDING OFFICER. Without objection it is so ordered, and the Senator from North Carolina will proceed.

Mr. WALSH of Montana. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Montana?

Mr. SIMMONS. I yield.

Mr. WALSH of Montana. When the original draft of the bill under consideration was first presented to an assemblage of Senators, who heard it advocated by representatives of the National Live Stock Association, I called attention to the fact that while it did, as now suggested by the Senator from North Carolina, seem to make provision for the necessities of the live-stock growers, and also made provision for borrowing the money on crops that had already been made, it did not cover the entire ground, in that it contained no provision whatever, so far as I have been able to discover, that would provide for the financing of the producing of the crop.

Mr. SIMMONS. That is the point I am making.

Mr. WALSH of Montana. I do not imagine that the friends of the measure would contend for it that it meets that phase of the situation at all. I assume, however, that this is not to be considered as the complete legislation dealing with the subject of rural credits, and that the phase to which I have adverted, namely, the financing of the farmer in the producing of the crop, is to be taken care of in the bill which, as I understand, will follow the consideration of the pending measure.

Mr. SIMMONS. That may be true, but why wait? If the farmer is permitted in the pending bill to set up this sort of banking institution, why is he to be denied the benefit of going to it to secure credit for the expenses of crop production? I am a bit skeptical as to what further bills may be enacted to give the farmer the relief denied him in the pending measure. Of course, it may be that the farmer will be given access to some other agency under some other legislation intended for the purpose of financing his production, just as the stock raiser is given access to some other agency to aid him in financing his operations. But when we are setting up a system under which the farmer is to furnish the money in order to finance the bank or the corporation, why not permit him to go to that institution for credit as well as to the other institutions? The stock raiser is permitted to go to both, the cooperative association is permitted to go to both, but the farmer is not permitted to go to this institution, which he creates himself, except when he goes with a mortgage in his hand upon a crop already produced.

Mr. WALSH of Montana. I concede that it would be very much more satisfactory to me, and I dare say to most of those who are vitally interested in the financing of the producing of the farmers' crops, if the provisions to that end were incorporated in the one measure. It seems to me that they might very properly be so incorporated. It seems to me, though, that the pending bill, as it is framed, could not very well meet the conditions to which the Senator has adverted, namely, the financing of the production of the crop by the farmer. It seems to have an entirely different object. I would like to see incorporated in the pending bill, so we would not have to take chances upon some other bill which may not be as popular in the Senate as is the Capper bill, provisions for financing the farmers' operations in the production of crops. But if we dispose of the pending measure and then take up the other bill, I hope we may be able thus to take care of the situation.

Mr. SIMMONS. The Senator sees my point. Here is a Federal corporation that is proposed to be set up and the farmer is supposed to raise the money, either himself or through his friends, to finance it. It might be a very great benefit to the farmer provided it could be financed and provided its functions were sufficiently broad to accommodate his needs and requirements. If, by reason of the narrowness of the functions of the corporation we are endeavoring to create, the farmer loses the opportunity, of what avail would it be? What I have in mind is sufficiently to broaden the field of the operation of the corporation organized in an agricultural district so as to enable it to function and make money, and thereby create an inducement to capital to invest in it so that we may have some assurance that the institutions will be established and that the farmers will get the benefit of them.

I concede very readily there would be no trouble in the large stock-growing sections of the country in raising the money necessary to establish the institutions, and I concede the powers given to lend to stock raisers probably will be amply sufficient to meet their requirements. But in a section like my State, or like the whole South, for that matter, where there is relatively little stock raising, where it is altogether agricultural, I am convinced that unless we shall broaden those powers so as to let the bank do more business and let it cover all the requirements of the farmer we shall never be able to put it in operation in those sections, and, beneficial as it might be, as now written it will be of little or no benefit to the farmers in these States.

Mr. WALSH of Montana. Mr. President, if the Senator will permit an interruption—

Mr. SIMMONS. Certainly.

Mr. WALSH of Montana. I fully agree with him. I can not perceive that the bill would be of any particular benefit to the farmers in his section of the country, peculiar as is the system of agriculture there. We are in very much the same situation in our section. The bill would undoubtedly be of assistance to those of our people who are engaged in stock raising upon a relatively large scale. It would be of no assistance whatever, as I have indicated heretofore, to the very considerable portion of our population who are in exactly the same situation as are the farmers in the State of the Senator from North Carolina.

Mr. SIMMONS. And it would never be organized in those sections.

Mr. WALSH of Montana. That is quite right. I agree fully to that. But what troubles me is that it seems to me it would be scarcely practicable to so mold these corporations, the organization of which is provided for by the bill, as to afford the assistance needed in the financing of the crop-producing operation. The bill contemplates the organization of corporations which will take mortgages upon actual, tangible, marketable property, namely, live stock. That is a transaction which is quite different from the financing of the production of a crop, which can afford no real, substantial security and which must rest very largely upon the character and ability of the farmer himself. If he has live stock or if he has machinery, collateral of some sort that will afford a basis for a mortgage, or something of that kind, he will probably be able to raise the money; but in most instances the loans which are made to him are made simply upon the expectation that by his industry and application and his knowledge of the business he will be able to raise the crop and repay the money when it is raised. So it occurs to me that it would be difficult to mold these particular corporations so as to make them the instrumentalities for providing loans to farmers for the purpose of producing their crops.

Mr. SIMMONS. As I understand the Senator, the point that he makes is that the farmer has no security until his crop is made and put in the warehouse or in a condition that it may be covered by a mortgage which he can give and which ought to be accepted by these corporations. I think that is an erroneous assumption upon the part of the Senator.

Years ago, before the Federal reserve banks were created, before the war, I will say, the farmers of my section of the country were not having any particular trouble in financing themselves through the national banking system. They were not confined in the matter of loans to three-months paper, six-months paper, or nine-months paper. The banks could lend upon any maturity of paper that they saw fit to lend upon. They could lend upon any kind of good security. They could lend upon any kind of good security, and the farmers had no difficulty in going to those banks, and, by executing a mortgage upon their personal property, their mules, horses, farming implements, tools, vehicles, or growing crops, getting the money with which to plant and cultivate and harvest their crops. I happened during that period to be the attorney of a national bank in my city, and I know the portfolios and vaults of that bank were full of mortgages in the nature of crop liens and personal-property securities.

The difficulty arose when the Federal reserve system was inaugurated and when it became necessary in order to secure money through the Federal reserve bank to present that bank with paper of short maturity. Then the country bank that was created for the purpose of serving the farmer soon found that it could not do business on the farmers' paper with their correspondent bank in the nearest large city, because if it lent to the farmers on nine-months paper and carried the paper to the Federal reserve bank for the purpose of getting it rediscounted, it was held to be ineligible. So that old system was all broken up, and the farmer was no longer able to raise money through the banking instrumentalities in his section of the country for the purpose of financing his crops.

Mr. President, why should the argument be made here that such paper would not afford sufficient security? The banks of the South and of the agricultural sections did not, under the conditions I have recited, consider it insufficient security. The insufficiency of the security is not the reason that crop liens and personal-property mortgages are not eligible for loans now. The reason is because they are not "liquid" in the sense that they are 9 months' paper or 12 months' paper and for that fact ineligible for rediscount in the Federal reserve bank, which is now the great source of credit in the United States; indeed, it has become practically the only source of credit in the country.

Mr. McLEAN. Mr. President—

Mr. SIMMONS. Let me finish this sentence. The Senator will please pardon me until I shall have concluded the statement of this idea.

The banks of the country did not think such paper insufficient security; I do not think it now; and it is not true. Senators may say the crop has not yet been produced; that it is only in the process of production; that there is nothing in existence upon which to base the loan, and therefore the farmer is not entitled to any credit upon that.

But let us by way of comparison and analogy consider our commercial banking system. A great manufacturing plant is incorporated; it is mortgaged and bonded for every dollar, probably, that the plant is worth or that its tangible assets are worth; but it is a going concern; it is well managed; it has a big trade; there is a ready demand for its products, though they are not in existence. Such manufacturing institutions are among the greatest borrowers of money in the United States. Banks do not lend to them upon the face of their existent property only, of their plant, of their tangible assets, for those are practically all mortgaged and bonded for all they are worth. These banks lend and accommodate those great industries of the United States in part upon their credit; upon the fact that they are going concerns; upon the fact that it is estimated that when they shall have fabricated the material which they are engaged in producing and shall have put it upon the market there will be profits and big profits.

When, however, we come to the farmer the situation is different. It seems, although he is equipped with his live stock; he is equipped with his lands; he is equipped with his agricultural implements; he buys his seed, and he plants his crop. Has agriculture failed in America? Do not the statistics show that the products of agriculture are in demand and readily marketable? Do not the facts show that agricultural products are still very valuable in the markets of the world to-day?

Why should the farmer not be entitled to credit upon his character as a man; upon his reputation for thrift; upon his reputation for ability in his business? Why should he not be entitled to the same treatment for those reasons as is the manufacturer? Why should it be assumed as to the thing which he is engaged in producing, to which he is lending his energies and incurring the production expenses for nine long months incident to planting, cultivating, and harvesting the crop, that it does not before production is complete furnish any safe security for credit? Why should the manufacturer be given, as he is given every day in the year, enormous credits based upon his prospective earnings in the fabrication and marketing of materials that may be at the time of the loan in the bowels of the earth and have no existence, or at most, in process, and the farmer be given no credit for the prospective earnings and the prospective output of his labors in the cultivation of the soil?

Mr. President, the farmer has at least just as good a basis for credit on the prospective earnings of his planted crops as has the manufacturer a basis of credit upon the prospects of earnings in the manipulation of the raw material which in some instances he has not yet purchased and which probably is where nature has placed it. There is no reason for this discrimination except the disposition to discredit agriculture and to place it and keep it under the ban of credit suspicion.

I say there is no foundation for such a discrimination, and it is a rank outrage and an injustice to the greatest and most vital industry in the world to say here upon the floor of the Senate of the United States that not a dollar may be safely lent by a bank which the Government is about to set up upon the faith of a nine months' expenditure and nine months' labor of a farmer who is engaged in the cultivation of the soil, but that it is perfectly safe and good banking for some other Federal bank to lend millions piled upon millions of dollars upon the faith of the earning capacity and the integrity of a manufacturing establishment.

Mr. McKELLAR. Mr. President, will the Senator from North Carolina yield to me for a moment?

Mr. SIMMONS. I yield to the Senator.

Mr. McKELLAR. I have been very much interested in what the Senator from North Carolina has been saying. Unquestionably the vice which he has pointed out in the bill, namely, that it will not help many of the producers of the country, absolutely exists. I think the bill virtually applies merely to the live-stock business, as the Senator has stated.

I now wish to call the Senator's attention to a situation which exists in his State and in mine in reference to this matter.

As the Senator knows, in our section of the country commission merchants, commonly called cotton factors, lend money all through the spring and early summer to the farmers for the purpose of enabling them to produce their crops. That is the universal system in my State, and I am rather inclined to believe that it is the universal custom in the State of the Senator from North Carolina. Under the original Federal reserve act it was thought that cotton factors' paper would be eligible for rediscount as the paper of any other merchant is so eligible,

and that act was so construed for the first five years of its existence, but later on, about two years ago, the Federal Reserve Board held that factors' paper was not eligible for rediscount; the right to discount was taken away from the factors, and in that way the farmers were deprived in a measure—and in a considerable measure—of the ability to obtain money with which to produce their crops. In that situation I offered an amendment here some time ago to another measure, and I intend to offer a similar amendment to the pending bill, which I will read to the Senator:

And the notes, drafts, and bills of exchange of factors making advances exclusively to the producers of staple agricultural products in their raw state shall be eligible for such discount.

That amendment was prepared by the Federal Reserve Board; it was indorsed by them, and it was indorsed by the Secretary of the Treasury; but I have never been able to prevail upon the Banking and Currency Committee to report it. So I shall offer it as an amendment to the pending bill. The question I wish to propound to the Senator is, Would not such an amendment be somewhat in line with the contention the Senator is making now, that we should make better provision for the producers of crops?

Mr. SIMMONS. Well, it would help. It may be, however, that there is a provision, not in the so-called Capper bill proper but in the amendments proposed to the Federal reserve system in the bill as it has been reported, that probably may reach that situation.

Mr. McKELLAR. No.

Mr. SIMMONS. I will not contend that it will, but I wish to call the attention of the Senator to it so that he may read it.

Mr. McKELLAR. I will be very glad to have the Senator do so.

Mr. SIMMONS. It is on page 37, beginning in line 3, and is among the proposed amendments to the Federal reserve act.

Mr. McKELLAR. I will examine it again, but my hasty examination led me to believe that it referred to something different.

Mr. SIMMONS. I am very much in favor of the suggestion of the Senator from Tennessee, but I think the provision to which I have referred may cover it. If it does not I shall be glad to cooperate with the able Senator from Tennessee in favor of a clear provision in that behalf.

Mr. GLASS. Mr. President, as a matter of fact, the Senator from Tennessee had an opportunity to propose his amendment last year and did propose it, but the Senate voted it down. The Federal Reserve Board approved the amendment.

Mr. McKELLAR. Yes.

Mr. GLASS. And the Senator offered it in the open Senate, but it was voted down. I voted for it.

Mr. McKELLAR. I recall that fact. I am going to offer it to the Senate again, because it will have the effect of providing in part at least for the very situation which the Senator from North Carolina has so well brought out during the course of the debate.

Mr. SIMMONS. I invite the Senator's attention to the section to which I have referred.

Mr. McKELLAR. What section is that?

Mr. SIMMONS. It is on page 37, beginning in line 3, and is, I believe, a part of section 13a.

Mr. McKELLAR. That provision would not apply.

Mr. SIMMONS. Probably it would not; I am not sure about that, but I have not time to read it now.

Mr. McKELLAR. I will not ask the Senator to read it. I am much obliged to him for allowing the interruption. I may say, however, that the language to which he refers on page 37 covers a different matter and relates purely to cooperative marketing associations.

Mr. SIMMONS. Probably that is true. I am in hearty sympathy, however, with the purpose of the Senator from Tennessee; and if the amendment to which I have referred does not cover the situation which the Senator from Tennessee desires covered, I hope his amendment may be adopted.

At the proper time—not now—I am going to propose an amendment to section 4 of the bill to which I have so often referred and from which I read the section relating to and limiting the powers of the corporations proposed to be created by this bill, and which authorizes loans to the farmers only when secured by warehouse receipts or mortgages upon non-perishable readily marketable agricultural products. The amendment I shall offer will be designed to enlarge those powers and afford the producer, as well as the distributor, of farm products some relief and some credit.

I was present during the hearings before the Banking and Currency Committee on this bill. A large part of the testimony, at any rate, before that committee was certain expert

testimony furnished by the departments, chiefly by the Treasury Department. The witnesses dealt almost entirely in their statements with the necessity of financing the distributors of farm products. I tried, but did not succeed in my effort, to get them to give a bit of consideration to financing the production of farm products, which is a process that precedes distribution; indeed, without production there of course can be no distribution.

I desire to broaden the provisions of the bill so as to give to the corporations to be created the power to lend some money, at least, to the farmer that will help him in the production of his crop; and I propose to do that—I may change this language, but it gives my thought—by adding, after the words "securing title to nonperishable and readily marketable agricultural products," substantially the words "or by chattel mortgage on readily salable personal property, or by hypothecation of collaterals of adequate value, or approved personal indorsement of at least two persons."

Up to the present time no means for supplying the farmer's need has been provided, and even if the Lenroot bill should be passed it would furnish inadequate means. I want to see the farmer provided with ample funds in the production of his crop, because we all know that the economies which measure the difference between success and failure in any business depend very largely upon proper equipment and proper financing to enable the producer of the product, whatever its character may be, to employ not only the best and most economical methods and equipments of production, but the ability to purchase and supply those things that are requisite to that end at the lowest price. The farmer is not able in many instances to conduct his business successfully because he has not the means, the money, with which to conduct his business economically. If he buys—and he must buy extensively—he has to buy on time and pay excessive time prices. He has not the means to purchase for cash the modern improvements and implements that are essential to the most successful and economical cultivation of the soil; and therefore he is not able to conduct his business with economy and efficiency essential to enable him to realize from it the returns and profits to which he is entitled.

I wish to see him put in a position where he will have no difficulty about this—to him—most important matter. The only objection that has been urged heretofore to the broadening of the power of these corporations so as to enable them to accommodate the farmer in this respect is that he has no adequate security to offer; that he comes into possession of security only after his crop is produced. I am going to provide here that he shall be lent, not upon crop prospects—although I think that is very good security, just as good as a loan made upon the earning capacity of a manufacturing plant—but that if, in order to get this money to produce his crop, he can offer security of a character that is now recognized by the commercial banks of the country as perfectly safe, the reason that prevents these banks from lending to him for this purpose will be removed.

Certainly, Mr. President, under the terms of the amendment which I propose, the money which is lent to the farmer to enable him to make his crop may be just as well secured as the money which is lent to the farmer to enable him to distribute his crop after it is made. I can see no reason why the Senate should not readily adopt that amendment; and if that amendment should be adopted, then I think the probability of the establishment of these banks in the agricultural sections would be greatly increased, and I am sure that the operation of these banks where they are established in the agricultural country would be, in its benefits to the farmers, enormously enhanced.

As I said at the outset, I have not been discussing this bill from the standpoint of opposition to its passage by the Senate. I suppose it will be enacted. I suppose I shall vote for it, as other Senators who see its defects will vote for it, because there is some good in it. What I want to emphasize is that I object to having to vote for provisions in a bill that my judgment and my common sense tell me are a fake and a fraud and a pretense, a vain and foolish thing, that can not accomplish the purpose which it is professed it is desired to accomplish.

I hate fraud and I hate pretense. I hate the very idea of voting for legislation knowing that it will be deceptive, that it will mislead, that it will give rise to a hope that will never be realized, subjecting us to the imputation of legislating here only to placate a dissatisfaction in the country, and legislating in a way that is mere gesture and pretense so far as meeting the cause of discontent is concerned.

I do not think I would vote for this bill at all, Mr. President, if it were not for the amendments to the Federal reserve act and to the farm loan act, which form a sort of appendix to the bill, and which really bear no relation to and have no connec-

tion with the institution which the bill itself undertakes to set up. I realize, however, that the farmers are not going to get now, from this administration, what they want, what they are demanding, and what they are entitled to. I think we have all realized that for some time past. Great and powerful interests in America are determined that nothing is to be done for the farmer's relief which might perchance prejudicially affect or interfere with their interests or purposes or in any way militate against the opportunities they now enjoy in the exploitation of the farmer. That is the reason farmer's relief legislation is granted, if at all, so grudgingly and with such measured circumspection.

Mr. STANFIELD. Mr. President, will the Senator yield?

Mr. SIMMONS. I yield.

Mr. STANFIELD. Do I understand that it is the opinion of the Senator that the legislation that is pending here is for the purpose of deceiving the farmer, or that it is being influenced by interests adverse to him?

Mr. SIMMONS. What I said, and what I meant to say, is that if we should enact the particular provision to which I was referring—not the whole act but the particular provision to which I was referring, namely, the one that authorizes loans upon agriculture in the Capper bill—it would be a pretense, because it would not accomplish its purpose; that the farmer in some instances would be led to expect that he would get what he would not get, and therefore it is a fraud.

Mr. STANFIELD. I should like further to ask the Senator if he does not think that either legislators or interests that are attempting to deceive the farmer in that way are standing in their own light?

Mr. SIMMONS. I do, and they will eventually discover the fact. All I have said about that, and all I care to say about that, is that I know, and everybody in this Chamber knows, that such financial legislation in the interest of the farmers as we have sought to enact here, beginning with the creation of the War Finance Corporation, has been met with opposition from the great dominating financial interests of the country, and that in that opposition they have more often than otherwise had the sympathetic cooperation of the Treasury Department.

Mr. McLEAN. Mr. President—

Mr. SIMMONS. We all know that before the late election we were unable to pass adequate farmers' legislation because of the unsympathetic attitude of the administration, reflected in the attitude of the majority party in this body.

Mr. McLEAN. Mr. President—

Mr. SIMMONS. Just a minute, if the Senator please. But we had an election—

Mr. McLEAN. I wish the Senator would yield right there.

Mr. SIMMONS. Not yet. And in that election the electorate of this country made it clear that the American farmers are aroused upon the question of the neglect of the Congress to take appropriate action to meet their needs and demands in this behalf, and they registered their protest in the results of the November election. It was the result of that election which brought the Republican administration to a realization of the wisdom of giving heed to these demands and to hurriedly summon the leaders of that party to a conference to consider ways and means to placate and satisfy these outraged sons of toil, with the result that the Republican press for weeks was filled with assurances that the one consuming desire of the administration was to take care of the poor, oppressed farmer.

Mr. McLEAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Connecticut?

Mr. SIMMONS. Yes; I yield.

Mr. McLEAN. I want to call the Senator's attention to the fact that if there was any opposition to the revival of the War Finance Corporation it was when a Democrat was Secretary of the Treasury, and that the bill itself passed the Senate, if my recollection is correct, without a roll call. There was no opposition whatever to it in the Senate.

Mr. SIMMONS. Mr. President, the opposition of the moneyed interests of this country was against this legislation under Wilson as it has been under Harding, and that in that particular they were simply reflecting the position of the financial interests of the country.

Mr. McLEAN. It seems the moneyed interests of the country had no influence whatever upon the Senate. The record shows that. It passed without a roll call.

Mr. SIMMONS. Mr. President, we did pass it, but the Senator knows that the first War Finance Corporation act was treated as a war measure, and open opposition silenced. It was after the war that the opposition of the interests was manifested when it was sought to continue and enlarge the

powers conferred during the war to meet the emergencies of actual war. These enactments restoring or continuing and enlarging the war powers of this corporation met with opposition from the financial interests, just as the present movement for agricultural relief is meeting with vigorous opposition from the financial interests.

Mr. McLEAN. I know the Senator does not want to speak without authority, or to make a misstatement with regard to this. The American Bankers' Association passed a resolution in favor of this bill. I do not know of a bank in the country that is opposed to it. They are all in favor of it.

Mr. SIMMONS. Yes, certainly; but this bill does not give the farmer real or adequate relief. I have already shown, so far as relieving the real need of the farmer is concerned, it is a fake and pretense, and I insist—I am simply stating the fact—that the big financial interests are still fighting any effort which would give adequate relief to agriculture and which would in any great degree prevent those interests from continuing their exploitation of the farmers. I am not speaking of the average banker but the big dominating groups of the great cities.

Mr. McLEAN. The Senator is speaking of the moneyed interests in this country opposing this legislation, and I want to call his attention to the fact that the American Bankers' Association passed resolutions in favor of it.

Mr. SIMMONS. That may be, and that fact, may I again remind the Senator, may find its explanation in the pending bill itself—that it furnishes the farmer no real or adequate relief.

Anyway, I will say to the Senator, I am not talking about the country banks or the banks of the relatively small cities; I am talking about the great banking groups of the big financial centers, which hold the purse strings of the Nation. There can be no question that we have had trouble about this legislation by reason of their persistent opposition. Of course, I am not charging any Senator or any committee with consciously yielding to it. But I am stating a fact well known to anyone who is familiar with the history of legislation of this character during the past few years.

I see that we are not going to get adequate legislation now. I am sure about that. We are going to pass the Capper bill and the Lenroot bill. They do not deal adequately with the situation. The farmers do not believe they deal adequately with the situation. The Norbeck bill probably does; at least, to a much greater extent. The bill I introduced possibly does; I do not say it does. But the latter two bills have had no consideration up to this time. I shall not press my bill, because I know the disadvantages a bill originating upon this side of the Chamber has in this body. But the Norbeck bill is largely a counterpart of mine. It deals with the same proposition, in some respects probably more effectively than mine does. I suppose it will be pressed, but it will not pass, because it goes too far in accomplishing the result of liberating agriculture from the other interests; because it gives to agriculture a full measure of relief, to attain financial freedom; because it puts the farmer, in the matter of financing his business and his operations in production, in marketing, in distribution, in the same independent position as that occupied by the financial interests and the commercial interests of the United States.

Mr. President, the reason we have in this country to-day an unbalanced condition of prosperity, the commercial interests and the manufacturing interests and the banking interests rolling in prosperity, while the agricultural interests, the farmers, are wallowing in the slough of despond and depression, is largely due to the fact that the one class is amply financed and able to protect itself, while the other class is unfinanced and unable to protect itself. For this reason the farmer is not an independent man. He is a commercial slave. He is the victim of everybody who wants to exploit him. He must sacrifice the products of his labor and the sweat of his brow at whatever price this more fortunate class are willing to pay. That is one of the chief reasons for this unbalanced condition of prosperity we see in this country to-day—high prices on the one side, low prices on the other side; overflowing prosperity on one side, and poverty, want, and distress on the other side.

Those of us who are here asking for financial legislation in the interest of the farmer want legislation that will make him as independent a man financially as the people with whom he has to deal in his business relations, and I say to the Senator from Connecticut that until the American farmers are put in that position they will continue to be drawers of water and hewers of wood for the balance of the population.

We will not get the needed agricultural relief legislation through at this time. We must again appeal to the electorate,

It seems that the lesson of last November was not quite sufficient. Mr. President, I warn Senators that the farming interests of the United States have been and are thoroughly aroused to the conditions of discrimination which exist, of the disadvantages under which they labor, of the persistent refusal to give them the relief they need, and in the next election, if I am not the worst mistaken man upon the face of the earth, the farmers of this country, before they cast their votes for any man to represent them in the Congress of the United States, are going to know his attitude toward adequate and full and equal financial opportunities for agriculture through the instrumentalities of the Government.

Mr. FLETCHER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Bayard	Gerry	McKellar	Spencer
Borah	Glass	McKinley	Stanfield
Brookhart	Hale	McLean	Stanley
Bursum	Harris	McNary	Sterling
Calder	Harrison	Moses	Sutherland
Cameron	Heflin	Nelson	Swanson
Capper	Johnson	New	Townsend
Couzens	Jones, Wash.	Norbeck	Underwood
Curtis	Kellogg	Norris	Walsh, Mont.
Elkins	Kendrick	Oddie	Warren
Ernst	Keyes	Robinson	Watson
Fernald	Ladd	Sheppard	Williams
Fletcher	Lenroot	Shields	Willis
Frelinghuysen	Lodge	Shortridge	
George	McCormick	Simmons	

Mr. WILLIS. I again call attention to the unavoidable absence of my colleague [Mr. POMERENE] on account of illness.

Mr. McNARY. I wish to announce the absence of the senior Senator from Wisconsin [Mr. LA FOLLETTE] on official business. He is engaged at a hearing before the Committee on Manufactures.

The PRESIDING OFFICER. Fifty-eight Senators having answered to their names, a quorum is present. The Secretary will continue the reading of the bill.

The reading clerk resumed the reading of the bill at page 19, line 3, and read as follows:

The expense of all of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the companies examined in proportion to assets or resources held by the companies upon the dates of examination of the various companies: *Provided*, That a minimum charge of \$50 shall be made for each such examination: *And provided further*, That each corporation having branches shall pay in addition to the amounts hereinabove provided the actual cost incurred in examining each branch, which examinations shall be made only when deemed necessary by the Comptroller of the Currency.

The provisions of the Federal reserve act which prohibit any member bank from making loans or granting a gratuity to any national-bank examiner shall be applicable to corporations organized under the provisions of this act.

Corporations organized under the provisions of this act shall be required to make reports to the comptroller at the time and in the manner required by sections 5211 and 5212 of the United States Revised Statutes, and shall be subject to the provisions, so far as the same may be held to be applicable, of section 5213 of the United States Revised Statutes.

LICENSED INSPECTORS OF LIVE STOCK.

SEC. 11. That the Secretary of Agriculture may issue a license to any person, upon presentation to him of satisfactory evidence that such person is competent, to inspect live stock as a basis for loans. The Secretary of Agriculture may suspend or revoke any license issued by him under this act whenever, after opportunity for hearing has been given to the licensee, the Secretary shall determine that such licensee is incompetent, or has knowingly or carelessly made false or erroneous inspection reports with respect to any live stock, or has accepted any money or other consideration, directly or indirectly, for any neglect or improper performance of duty, or has in any other manner shown himself to be unfit to act as a live-stock inspector. Pending investigation the Secretary of Agriculture, whenever he deems it necessary, may suspend a license temporarily without a hearing. It shall be unlawful for any person other than a holder of a license duly issued under this section, or any person whose license has been suspended or revoked under the terms of this section, to represent that he is a Federally licensed live-stock inspector, and any violation of this provision shall be punishable by a fine of not more than \$1,000, or by imprisonment for not more than one year, or both.

Any inspector licensed under the provisions of this section who makes any statement in any inspection report or to any person for the purpose of obtaining for himself or any other person any advance on the security of the live stock inspected, knowing the same to be false, or who willfully overvalues any security by which an advance is secured, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than five years, or both.

The Comptroller of the Currency shall allot to the Department of Agriculture from time to time such sums as may be estimated to be necessary for the administration of this section, and may ratably assess the same from time to time against the corporations organized under this act.

NATIONAL BANKS MAY BECOME STOCKHOLDERS.

SEC. 12. That any national banking association may file application with the Comptroller of the Currency for permission to invest an amount not exceeding in the aggregate 10 per cent of its paid-in capital stock and surplus in the stock of one or more of the corporations organized under the provisions of this act, and upon ap-

proval of such application may purchase such stock. The Comptroller of the Currency shall have discretion to approve or reject such application in whole or in part.

TAXATION.

SEC. 13. That taxation by a State of the shares in corporations organized or reorganized under the provisions of this act, or of dividends derived therefrom, or of the income of said corporations, shall be such only as is or may hereafter be authorized by law in the case of national banking associations.

FISCAL AGENTS AND DEPOSITORIES.

SEC. 14. That the moneys of corporations organized under the provisions of this act may be kept on deposit subject to check in any of the Federal reserve banks.

The Federal reserve banks are hereby authorized to act as depositories for and fiscal agents of any of the corporations organized under the provisions of this act in the general performance of the powers conferred by this title.

USE OF WORDS "FEDERAL AGRICULTURAL CREDIT" IN CORPORATE TITLE.

SEC. 15. That all corporations not organized under the provisions of this act are prohibited from using the words "Federal agricultural credit" as a part of their corporate name, and any violation of this prohibition committed after the passage of this act shall subject the party charged therewith with a penalty of \$50 for each day during which it is committed or repeated.

CONVERSION OF STATE FINANCING CORPORATIONS INTO RURAL CREDIT CORPORATIONS.

SEC. 16. That any agricultural or live stock financing corporation incorporated by special law of any State or organized under the general laws of any State and having an unimpaired capital sufficient to entitle it to become a Federal agricultural credit corporation under the provisions of this act, may, by the vote of the shareholders owning not less than 51 per cent of the capital stock of such corporation, with the approval of the Comptroller of the Currency, be converted into a Federal agricultural credit corporation under this act, with any name approved by the Comptroller of the Currency: *Provided, however*, That the said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the corporation, and the certificate shall declare that the owners of 51 per cent of the capital stock have authorized the directors to make such certificate and to change or convert the corporation into a Federal agricultural credit corporation under this act. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a Federal agricultural credit corporation. The shares of any such corporation may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the corporation until others are elected or appointed. When the comptroller has given to such corporation a certificate that the provisions of this act have been complied with, such corporation, and all its stockholders, officers, and employees, shall have the same powers and privileges and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by this act for corporations originally organized as Federal agricultural credit corporations.

CONSOLIDATION OF CORPORATIONS ORGANIZED UNDER THIS ACT.

SEC. 17. That any two or more corporations organized under the provisions of this act, with the approval of the Comptroller of the Currency, may consolidate into one corporation under the charter of either or any of the existing corporations on such terms and conditions as may be lawfully agreed upon by a majority of the board of directors of each corporation proposing to consolidate, such agreement to be ratified and confirmed by the affirmative vote of the shareholders of each of such corporations owning at least two-thirds of its capital stock outstanding, at a meeting to be held on the call of the directors after publishing notice of the time, place, and object of the meeting for four consecutive weeks in some newspaper published in the place where the said corporation is located, and if no newspaper is published in the place then in a paper published nearest thereto, and after sending such notice to each shareholder of record by registered mail at least 10 days prior to said meeting: *Provided, however*, That the capital stock of such consolidated corporation shall not be less than \$250,000 paid in if the corporations consolidated are organized to exercise the powers covered by section 4, and provided that the capital stock of such consolidated corporation shall not be less than \$1,000,000 paid in if the corporations consolidated are those organized under section 8: *And provided further*, That when such consolidation shall have been effected and approved by the comptroller any shareholder of either of the corporations so consolidated who has not voted for such consolidation may give notice to the directors of the corporation in which he is interested, within 20 days from the date of the certificate of approval of the comptroller, that he dissents from the plan of consolidation as adopted and approved, whereupon he shall be entitled to receive the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by the shareholder, one by the directors, and the third by the two so chosen; and in case the value so ascertained shall not be satisfactory to the shareholder, he may, within five days after being notified of the appraisal, appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value ascertained by said committee the corporation shall pay the expense of the reappraisal, otherwise the appellant shall pay said expense; and the value so ascertained and determined shall be deemed to be a debt due and be forthwith paid to said shareholder by said corporation, and the shares so paid shall be surrendered and after due notice sold at public auction within 30 days after the final appraisal provided for by this act.

Where corporations consolidate under the provisions of this act, all of the rights, franchises, and interest of said corporations shall be consolidated in and to every species of property, personal and mixed, and choses in action thereto belonging, and shall be deemed to be transferred to and vested in the corporation into which it is consolidated without any deed or other transfer, and the said consolidated corporation shall hold and enjoy the same and all rights of property, franchises, and interest, in the same manner and to the same extent as they were held and enjoyed by the corporations so consolidated therewith.

INSOLVENCY, RECEIVERSHIP, AND LIQUIDATION.

SEC. 18. That whenever any corporation organized under the provisions of this act shall be dissolved and its rights, privileges, and franchises declared forfeited as prescribed in the preceding section, or whenever any creditor of any such corporation shall have obtained a judgment against it in any court of record and made application accompanied by a certificate from the clerk of the court, stating that such judgment has been rendered and has remained unpaid for the space of 30 days or whenever the comptroller shall become satisfied of the insolvency of such corporation, he may, after due examination of its affairs in either case, appoint a receiver who shall proceed to wind up the affairs of such corporation. The receiver so appointed shall exercise the powers and be subject to the restrictions of receivers of national banks; and the comptroller shall have the same powers and duties in connection with the administration of such receivership as he has in reference to the receivership of national banks.

Shareholders' agents for shareholders of corporations organized under the provisions of this act may be appointed in the manner prescribed by section 522 of the national bank act, being the act of June 30, 1876, as amended, and shall have the same general powers and duties and be subject to the same restrictions as shareholders' agents of a national bank.

Any corporation organized under the provisions of this act may go into liquidation and be closed by the vote of its shareholders owning two-thirds of its stock. Whenever a vote is taken to go into liquidation it shall be the duty of the board of directors to cause notice of this fact to be certified under the seal of the corporation by its president or cashier to the Comptroller of the Currency and publication thereof to be made for a period of two months in a newspaper published in the city or town in which the corporation is located, or if no newspaper is there published, in the newspaper published nearest thereto, that the corporation is closing up its affairs and notifying its creditors to present their claims against the corporation for payment. All such claims shall be presented to and approved by a liquidating agent to be appointed by the board of directors of such corporation, with the approval of the Comptroller of the Currency, and the affairs of such corporation shall be liquidated by such agent and under the supervision of the Comptroller of the Currency.

PENALTY FOR VIOLATION OF THE PROVISIONS OF THIS ACT.

SEC. 19. That if the directors of any corporation organized under the provisions of this act shall knowingly violate or knowingly permit any of the officers, agents, or servants of the corporation to violate any of the provisions of this act, all the rights, privileges, and franchises of the corporation shall be thereby forfeited. Such violation shall, however, be determined and adjudged by a district court of the United States in a suit brought for that purpose by the Comptroller of the Currency in his own name before the corporation shall be declared dissolved, and in cases of such violation every director who participated or assented to the same shall be held liable in his personal and individual capacity for all damages which the corporation, its shareholders, or any other person shall have sustained in consequence of such violation.

PENALTY FOR EMBEZZLEMENT, FORGERY, FALSE STATEMENTS, ETC.

SEC. 20. That any officer, director, agent, or employee of any corporation organized under the provisions of this act who embezzles, abstracts, or willfully misapplies any of the moneys, funds, or credits of such corporation, or who, without authority from the directors, draws any order or bill of exchange, makes any acceptance, issues, puts forth, or assigns any note, debenture, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such corporation with intent in any case to injure or defraud such corporation or any other company or person, or to deceive any officer of such corporation or the Comptroller of the Currency, or any agent or examiner appointed to examine the affairs of such corporation; and every receiver of such corporation who, with like intent to defraud or injure, embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of the corporation, and every person who with like intent aids or abets any officer, director, agent, employee, or receiver in any violation of this section shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than \$5,000 or shall be imprisoned for not more than five years, or both, at the discretion of the court.

Whoever (1) makes any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person, firm, corporation, or association any advance, or extension or renewal of an advance, or any release or substitution of security, from a corporation organized under the provisions of this act, or for the purpose of influencing in any other way the action of such corporation, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Whoever willfully overvalues any security by which any such advance is secured shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

Whoever (1) falsely makes, forges, or counterfeits any debenture, bond, coupon, or other obligation of any corporation organized under the provisions of this act, in imitation of or purporting to be in imitation of any such obligation issued by any such corporation; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited bond, debenture, coupon, or other obligation purporting to be issued by any such corporation, knowing the same to be falsely made, forged, or counterfeited; or (3) falsely alters any such bond, debenture, coupon, or other obligation; or (4) passes, utters, or publishes as true any falsely altered or spurious bond, debenture, coupon, or other obligation, issued or purported to have been issued by any such corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Whoever being an officer, director, employee, agent, or attorney of a corporation organized under the provisions of this act stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation any loan from any such corporation or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such corporation, shall be deemed guilty of a misdemeanor and shall be imprisoned for not more than one year and fined not more than \$5,000, or both.

SEC. 21. That the right to amend, alter, or repeal this act is hereby expressly reserved.

The PRESIDING OFFICER (Mr. ODDIE in the chair). The Secretary will state the amendment reported by the Committee on Banking and Currency at the top of page 32.

The READING CLERK. At the top of page 32 it is proposed to insert:

TITLE II.

AMENDMENTS TO FEDERAL RESERVE ACT.

SEC. 201. That paragraph 1 of section 7 of the Federal reserve act be amended by striking out all of said paragraph and substituting the following:

"After all necessary expenses of a Federal reserve bank have been paid or provided for the stockholders shall be entitled to receive an annual dividend of 6 per cent on the paid-in capital stock, which dividend shall be cumulative and may be paid out of any surplus in excess of 100 per cent of subscribed capital. Out of any net earnings remaining after the aforesaid dividend and surplus claims have been fully met there shall be paid each year to the United States as a franchise tax such an amount as will make the aggregate amount so paid for the year 1922 and subsequent years equal to the aggregate amount of the cumulative dividends paid to the stockholding member banks for such years. After the full amount of the franchise tax shall have been paid to the United States the balance of the net earnings of any year shall be paid into a surplus fund until it shall amount to 100 per cent of subscribed capital, and thereafter when net earnings exceed 12 per cent an extra dividend of not to exceed 3 per cent may be distributed to the stockholders and the remaining net earnings, if any, shall be paid to the United States as an additional franchise tax."

Mr. McLEAN. When that section was framed by the committee we supposed that all of the Federal reserve banks had accumulated a 100 per cent surplus, but we find that the bank at Dallas, Tex., has not accumulated such a surplus. It will, therefore, be necessary to make a slight modification of the amendment, which I shall now propose. Beginning on line 9, page 32, I move to strike out the words "and may be paid out of any surplus in excess of 100 per cent of subscribed capital."

Mr. FLETCHER. That, as I understand, would strike out the remainder of the sentence after the word "cumulative"?

Mr. McLEAN. I have another amendment to offer if the one I have offered shall be adopted, I will say to the Senator from Florida.

The PRESIDING OFFICER. Without objection, the amendment to the amendment is agreed to.

Mr. McLEAN. On page 32, line 12, after the word "dividend," I move to strike out the words "and surplus," so that it will read:

Out of any net earnings remaining after the aforesaid dividend claims have been fully met—

And so forth.

The PRESIDING OFFICER. Without objection, the amendment to the amendment is agreed to.

Mr. McLEAN. At the bottom of page 32, I move to strike out lines 24 and 25 and to insert in lieu thereof the amendment to the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment proposed by the Senator from Connecticut to the committee amendment will be stated.

The READING CLERK. At the bottom of page 32 it is proposed to strike out lines 24 and 25, as follows: "And the remaining net earnings, if any, shall be paid to the United States as an additional franchise tax"; and in lieu thereof to insert: "And 10 per cent of the remaining net earnings shall be paid into the surplus, and 90 per cent shall be paid to the United States as an additional franchise tax."

The amendment to the amendment was agreed to.

Mr. FLETCHER. I desire to suggest to the chairman of the committee that on page 32, line 22, after the word "earnings," there should be inserted the words "in any year"; so that it will read:

And thereafter when net earnings in any year exceed 12 per cent—

And so forth.

Mr. McLEAN. I shall be glad to accept that amendment.

The PRESIDING OFFICER. The amendment suggested by the Senator from Florida to the committee amendment will be stated.

The READING CLERK. On page 32, line 22, after the word "earnings," it is proposed to insert "in any year"; so that it will read:

And thereafter when net earnings in any year exceed 12 per cent.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee as amended.

The amendment as amended was agreed to.

The next amendment of the Committee on Banking and Currency was, at the top of page 33, to strike out section 201, as follows:

SEC. 201. That section 13 of the Federal reserve act, as amended, be further amended by striking out the proviso at the end of the second paragraph of said section, so that said paragraph shall read as follows:

"Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to

its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discount, but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than 90 days, exclusive of days of grace."

And in lieu thereof to insert:

SEC. 202. That section 13 of the Federal reserve act, as amended, be further amended by striking out the proviso at the end of the second paragraph of said section and inserting in lieu thereof the following:

"Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, and subject to regulations and limitations to be prescribed by the Federal Reserve Board, any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which are drawn to finance the domestic shipment of nonperishable, readily marketable staple agricultural products and are secured by bills of lading or other shipping documents conveying or securing title to such staples: *Provided, however,* That all such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made with reasonable promptness after the arrival of such staples at their destination: *Provided further,* That no such bill shall in any event be held by or for the account of a Federal reserve bank for a period in excess of 90 days. In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof."

Mr. FLETCHER. I ask the chairman of the committee has he any amendments to offer to that amendment?

Mr. McLEAN. No.

Mr. FLETCHER. Then I suggest, on page 34, line 9, after the words "Federal Reserve Board," to insert the words "not inconsistent with law," so that the sentence would read:

and subject to regulations and limitations to be prescribed by the Federal Reserve Board not inconsistent with law.

I assume such regulations and limitations will not be inconsistent with law, but I rather think we ought not to permit them to legislate.

Mr. McLEAN. I do not think the amendment is necessary, but I have no objection to it.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Florida to the committee amendment.

The amendment to the amendment was agreed to.

Mr. FLETCHER. On page 34, line 14, after the word "documents," I move to insert the words "attached thereto," so that the language would read:

and are secured by bills of lading or other shipping documents attached thereto.

It seems to me such documents should be attached to the paper which is being discounted.

Mr. McLEAN. It would be natural to assume that such documents would accompany the paper.

Mr. FLETCHER. I know they accompany the paper, but it seems to me that the bill of lading or other shipping documents should be attached to such paper.

Mr. McLEAN. I see no objection to the amendment.

The PRESIDING OFFICER. Without objection, the amendment to the amendment is agreed to.

Mr. FLETCHER. Then, on page 34, in line 23, I suggest to the chairman of the committee that the word "discount" might be improved on, and I propose that we strike out the word "discount" and insert the words "amount thus deducted," so that it would read:

In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the amount thus deducted after the payment of such bills to conform to the actual life thereof.

Mr. McLEAN. I see no objection to that.

The PRESIDING OFFICER. Without objection, the amendment to the amendment is agreed to. The question now is on agreeing to the amendment as amended.

The amendment as amended was agreed to.

The next amendment of the Committee on Banking and Currency was, on page 34, line 25, to change the number of the section from 202 to 203.

The amendment was agreed to.

The reading of the bill was resumed and continued to the end of line 13, page 35, as follows:

SEC. 203. That the Federal reserve act, as amended, be further amended by striking out the fourth paragraph of section 13 thereof and inserting in lieu of said fourth paragraph the following:

"Any Federal reserve bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of

not more than 90 days sight, exclusive of days of grace, and which are indorsed by at least one member bank: *Provided,* That such acceptances if drawn for an agricultural purpose and secured at the time of acceptance by warehouse receipts or other such document conveying or securing title covering readily marketable staples may be discounted with a maturity at the time of discount of not more than six months sight, exclusive of days of grace."

The next amendment of the Committee on Banking and Currency was, on page 35, line 14, to change the number of the section from 203 to 204.

The amendment was agreed to.

Mr. McKELLAR. Mr. President, at this point I have an amendment which I wish to offer. Is the bill being read merely for committee amendments?

The PRESIDING OFFICER. It has been agreed that committee amendments shall first be considered.

Mr. McKELLAR. Very well. There will be no objection, then, to my offering my amendment later on?

Mr. McLEAN. No.

The reading of the bill was resumed. The next amendment of the Committee on Banking and Currency was, on page 36, line 1, before the word "months," to strike out "six" and insert "nine"; and in the same line, after the word "months," to strike out: "*Provided, however,* That (a) such notes, drafts, or bills of exchange, when secured by warehouse receipts or other such negotiable documents, conveying or securing title to readily marketable, nonperishable agricultural products, may be discounted with a maturity, at the time of discount, not exceeding nine months, under regulations to be prescribed by the Federal Reserve Board. Such regulations shall be designed to insure that such notes, drafts, or bills of exchange were drawn or issued as a part of a program of orderly marketing of such agricultural products, and not for speculative holding of such products. (b) Such notes, drafts, or bills of exchange, when secured by chattel mortgage upon live stock, may be discounted with a maturity not exceeding nine months, provided such live stock is at the time of discount being fattened for market, under such conditions that it will be ready for market on or before the date of maturity of such note, draft, or bill. Notes, drafts, or bills of exchange secured by chattel mortgage upon breeding herds shall not be eligible for rediscount under this section." And insert: "*Provided, however,* That notes, drafts, and bills of exchange with maturities in excess of six months shall not be eligible as a basis for the issuance of Federal reserve notes unless secured by warehouse receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon live stock which is being fattened for market." So as to make the section read:

SEC. 204. That the Federal reserve act, as amended, be further amended by adding at the end of section 13 a new section, to be numbered section 13a, and to read as follows:

"DISCOUNT OF AGRICULTURAL AND LIVE-STOCK PAPER.

"SEC. 13a. Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose or based upon live stock, and having a maturity, at the time of discount, exclusive of days of grace, not exceeding nine months: *Provided, however,* That notes, drafts, and bills of exchange with maturities in excess of six months shall not be eligible as a basis for the issuance of Federal reserve notes unless secured by warehouse receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon live stock which is being fattened for market."

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee.

Mr. FLETCHER. Mr. President, I should like to ask the chairman of the committee if he does not think the language following the word "notes," on line 22, ought to be stricken out of the amendment? If we retain in the bill the words "unless secured by warehouse receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon live stock which is being fattened for market" would they refer back to the nine months' provision in the act, or would they leave the door wide open for paper thus secured to be made the basis of circulating notes, no matter when the maturity was?

I understand the effect of the provision is that "notes, drafts, and bills of exchange issued or drawn for an agricultural purpose or based upon live stock having a maturity at the time of discount, exclusive of days of grace not exceeding nine months," shall be eligible for rediscount, but in order to be eligible as a basis for circulating notes the time of maturity must be six months, unless there is a warehouse receipt or a mortgage or a transfer of title accompanying the note. In that case are they eligible as a basis for circulating notes, no matter when the time of maturity is fixed, or is there a nine months' maturity?

Mr. McLEAN. There is a nine months' maturity if they are secured, and if they are not secured they are limited to six months. I should be very glad to accept an amendment striking out all after the word "notes," because I do not think that any paper of more than six months' maturity should be used as collateral for the issuance of notes payable in gold on demand; but I had to subordinate my views to the views of the majority of the committee. I myself think it is an unwise extension, but it is clear enough what the provision means.

Mr. FLETCHER. I thought I would draw attention to that matter.

Mr. McLEAN. I want to say to the Senator that there was not a witness who appeared before the Commission of Agricultural Inquiry who recommended an extension longer than six months in any instance, whether secured or not. The committee decided to extend the time to nine months, but the committee put in the limitation that it should not be used for collateral for Federal reserve notes unless it was secured if the maturity was more than six months.

Mr. FLETCHER. And then, if thus secured, the maturity must be within nine months?

Mr. McLEAN. That is right.

Mr. FLETCHER. I shall not offer an amendment.

Mr. HEFLIN. Mr. President, I want to say just a word about the suggestion of the Senator from Florida. Nine months is very much better than six, but nine months is not long enough for some of the business of the farmers. We are running right into the commercial idea of banking. The Senator from Connecticut does not think that any of these loans should be extended over six months.

Mr. McLEAN. No; the Senator from Alabama is entirely mistaken.

Mr. HEFLIN. What was the Senator's position?

Mr. McLEAN. I do not object to the extension of the time from six months to nine months so far as the rediscount feature is concerned. My objection pertains to the right to use these notes as collateral for the issuance of Federal reserve notes; that is all. I do not object to the extension to nine months on the agricultural paper.

Mr. HEFLIN. Mr. President, nine months is not long enough. We have quite a hard time getting certain Members of the House, when we passed the Federal reserve act, to go up from three months to six months.

Now, we are having just as hard a time to get from 6 months up to 9 months, and the time will come when we will go to 12 months. We may not do it now, but the farmer needs 12 months' time. Whenever you fix it for a shorter time the danger is that they can take advantage of the farmer and the farmer's condition and force him to dispose of his stuff, and perhaps to do it on a dead market. That is not true with other collateral. In any other kind of commercial transaction you can go to a bank and keep on renewing your note and keep on getting an extension of time; but we have metes and bounds about the farmer, and restraints and restrictions, until he is forced right up against a hard proposition, and frequently is forced to sacrifice his property and suffer heavy losses. When he wants an extension of time, and wants to be aided so that he can hold his stuff off the market until the price will yield a profit, certain agencies are working not to aid him but to force him to dispose of his stuff, and he has to do it at a sacrifice. That is why the farmers of America are in such desperate straits to-day.

If this bill will not do the work, let us amend it so that it will. Of course, I am very much better pleased with the nine months' time than I was with the six months. This will be of considerable help, but for some farm transactions it is not long enough. I want to fix it so that the farmer will be the master of his business, just as people in the commercial world with other kinds of collateral are the masters of their business.

The VICE PRESIDENT. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The reading of the bill was resumed, and the reading clerk read as follows:

Notes, drafts, or bills of exchange issued or drawn by cooperative marketing associations composed of producers of agricultural products shall be deemed to have been issued or drawn for an agricultural purpose within the meaning of this section if the proceeds thereof have been or are to be advanced by such association to any members thereof for an agricultural purpose, or have been or are to be used by such association in making payments to any members thereof on account of agricultural products delivered by such members to the association, or if such proceeds have been or are to be used by such association to meet expenditures incurred or to be incurred by the association in connection with the grading, processing, packing, preparation for market, or marketing of any agricultural product handled by such association for any of its members: *Provided, however,* That the express enumeration in this paragraph of certain classes of paper of cooperative mar-

keting associations as eligible for rediscount shall not be construed as rendering ineligible any other class of paper of such associations which is now eligible for rediscount.

The Federal Reserve Board may, by regulation, limit to a percentage of the assets of a Federal reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, or bills, or acceptances having a maturity in excess of six months but not exceeding nine months which may be discounted by such bank.

The next amendment was, on page 38, line 7, to change the number of the section from "204" to "205," and on line 12 to strike out "upon" and insert "under," so as to make the section read:

Sec. 205. That the Federal reserve act, as amended, be further amended by adding at the end of section 14 a new paragraph, as follows:

"(f) To purchase and sell in the open market, either from or to domestic banks, firms, corporations, or individuals, acceptances of corporations organized under the Federal agricultural credits act whenever the Federal Reserve Board shall declare that the public interest so requires."

The amendment was agreed to.

The next amendment was, on page 38, line 15, to change the number of the section from "205" to "206," so as to make the section read:

Sec. 206. That the Federal reserve act, as amended, be further amended by striking out the ninth paragraph of section 9 of said act and substituting in lieu thereof the following:

"No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the national bank act: *Provided, however,* That an applying bank organized in a place the population of which does not exceed 6,000 inhabitants may, in the discretion of the Federal Reserve Board, be admitted to membership if it possesses a paid-up, unimpaired capital of at least \$30,000, and if the application is accompanied by adequate undertakings of such bank and of its principal stockholders that the capital of such bank will within three years be increased to \$50,000: *And provided further,* That an applying bank, organized in a place the population of which does not exceed 3,000 inhabitants, may, in the discretion of the Federal Reserve Board, be admitted to membership if it possesses a paid-up, unimpaired capital of at least \$15,000, and if it is accompanied by adequate undertakings of such bank and of its principal stockholders that such capital will within three years be increased to \$25,000. If any such undertakings have not been fulfilled within three years the Federal Reserve Board may forbid such bank to enjoy any of the privileges of this act, and may require it to withdraw forthwith from membership in the Federal reserve system."

The amendment was agreed to.

The reading of the bill was resumed, and the reading clerk read as follows:

TITLE III.

AMENDMENTS TO WAR FINANCE CORPORATION ACT.

SEC. 301. That the time during which the War Finance Corporation may make advances and purchase notes, drafts, bills of exchange, or other securities under the terms of sections 21, 22, 23, and 24 of the War Finance Corporation act, as amended, is further extended up to and including February 29, 1924: *Provided,* That if any application for an advance or for the purchase by the War Finance Corporation of notes, drafts, bills of exchange, or other securities is received at the office of the corporation in the District of Columbia on or before February 29, 1924, such application may be acted upon and approved, and the advance may be made or the notes, drafts, or other securities purchased at any time prior to March 31, 1924.

SEC. 302. That the second paragraph of section 12 of Title I of the War Finance Corporation act, as amended, is further amended to read as follows:

"The power of the corporation to issue notes or bonds may be exercised at any time prior to January 31, 1927, but no such bonds or notes shall mature later than June 30, 1927."

SEC. 303. (a) That paragraph 3 of section 15 of Title I of such act, as amended, is amended by striking out at the beginning of such paragraph the words "beginning July 1, 1923," and inserting in lieu thereof the words "beginning April 1, 1924."

(b) Paragraph 4 of such section, as amended, is amended by striking out at the beginning of such paragraph the words "After July 1, 1923," and inserting in lieu thereof the words "After April 1, 1924."

TITLE IV.

AMENDMENT TO FEDERAL FARM LOAN ACT.

SEC. 401. That paragraph 7 of section 12 of the Federal farm loan act be amended to read as follows:

"Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of \$25,000, nor shall any one loan be for a less sum than \$100."

Mr. McKELLAR. Mr. President, I had offered and had printed an amendment in reference to factors' paper, and suggested that it ought to come in on page 35. After consultation with the chairman of the committee, I have concluded to withdraw that amendment to this bill and offer it to the Lenroot bill.

Mr. HARRISON. Mr. President, I desire to offer an amendment on page 40, following line 8, as a new section.

The VICE PRESIDENT. The amendment will be stated.

The READING CLERK. On page 40, after line 8, it is proposed to insert the following:

SEC.— That the War Finance Corporation act, approved April 5, 1918, as amended, is amended further by adding, after section 28 of Title I thereof, a new section to read as follows:

"SEC.— That the corporation is hereby authorized and empowered—

"(a) To purchase, without recourse against the drawer thereof, and upon such other terms not inconsistent with this act as it may determine, from any person of the United States producing or dealing in foodstuffs or wool or cotton, or any articles manufactured therefrom in the United States, drafts or bills of exchange secured by bills of lading or other instruments in writing conveying or securing merchantable title to said foodstuffs or wool or cotton or any articles manufactured therefrom in the United States when such drafts or bills of exchange are drawn against sales of said foodstuffs, products, or manufactured articles by any such person to a foreign buyer or buyers established and doing business in foreign countries to be secured by proper and sufficient collateral or by the guaranty of a legally established foreign government, or by both such collateral and guaranty as may be deemed advisable in the judgment and discretion of the directors of the War Finance Corporation. No such drafts or bills of exchange or conveyance of title shall have a maturity of more than six months from the time of purchase: *Provided*, That in the discretion of the directors of the War Finance Corporation such maturity may be fixed not to exceed nine months.

"(b) To purchase, without recourse against the drawer or indorser thereof, and upon such other terms not inconsistent with this act as it may determine, from any bank, banker, or trust company of the United States, drafts or bills of exchange or conveyance of title, secured by proper and sufficient collateral or by the guaranty of a legally established foreign government, or by both such collateral and guaranty in the manner described in paragraph (a) of this section, when said bank, banker, or trust company has purchased and guaranteed drafts or bills of exchange from a person of the United States producing or dealing in foodstuffs, or wool or cotton, or any articles manufactured therefrom in the United States, without recourse against such person.

"The said corporation shall provide for the registration with it of all contracts, bills of exchange, or conveyances of title entered into between said sellers of the United States and those foreign buyers whose purchase contracts and drafts and conveyances of title have collateral or guaranties as provided herein. Purchases of drafts or bills of exchange or conveyances of title may be made under this section at any time prior to February 29, 1924. The aggregate amount of such purchases authorized under the provisions of this section of the act shall not at any time exceed \$250,000,000: *Provided*, That in no case shall any of the money so advanced under this section be expended without the United States.

"(c) That any provisions of the War Finance Corporation act, as amended, inconsistent with section 29 herein provided are hereby repealed."

The word "person" when used in this section shall be construed to mean an individual citizen of the United States, a partnership composed of such citizens, a corporation organized under the laws of the United States or one of the component States thereof, or an association composed of such citizens, partnerships or corporations.

Mr. HARRISON. Mr. President, the so-called Capper bill, which is now being considered, carries with it at least two propositions that in my opinion are very splendid. One is the amendment to the Federal reserve act extending the time for the discount or rediscount of agricultural paper from six months to nine months. The other is the extension of the life of the War Finance Corporation another year.

The amendment that I have offered applies to the War Finance Corporation and would operate during the life of the War Finance Corporation. In a sentence, it provides that the War Finance Corporation can make loans to interests here and abroad where they are purchasing agricultural products in this country, such as corn, wheat, cotton, or wool, or products made from cotton and wool, and where they can give good and sufficient security. You will note the money must be expended here and the collateral must be adequate and good.

Mr. President, this amendment I have offered is the same as the measure known as the Norbeck bill, with a slight change. A similar bill was introduced in the House. The agricultural interests of the country believed that the enactment of such a measure would greatly help them in their present distressed condition. One of the main troubles with agriculture to-day is a lack of markets abroad and a lack of credit in those markets. There are interests abroad which have the collateral with which to purchase these crops, be they wheat or cotton or what not, provided they could get the money, and the War Finance Corporation could easily loan the money. The limitation here is up to \$250,000,000. There would be no more risk involved than has been involved in advancing the money in this country under the amendment to the War Finance Corporation act and under the original act. But it does offer an opportunity for the farmers of the country to sell their surplus crops for export and will greatly aid in helping them to get increased prices for their products.

Mr. McLEAN. Mr. President, I have not had an opportunity to study this amendment. It is apparently a bill prepared by Senator NORBECK, which has never been considered by the Committee on Banking and Currency. I would like to ask the Senator from Mississippi if this amendment permits the War Finance Corporation to purchase direct from individuals?

Mr. HARRISON. Their securities, yes; bills of exchange, as enumerated there, drafts secured by bills of lading, or other instruments in writing conveying or securing merchantable title to said foodstuffs or wool or cotton, or any articles manufactured therefrom.

Mr. McLEAN. Does it authorize the taking of the notes of individuals?

Mr. HARRISON. It does.

Mr. McLEAN. To that extent it enlarges very materially the present scope of the War Finance Corporation.

Mr. HARRISON. The present War Finance Corporation does not loan directly to individuals. It loans directly to associations, and to individuals only through the banks, and so forth.

Mr. McLEAN. To the banks.

Mr. HARRISON. To that extent it would enlarge the powers of the War Finance Corporation.

Mr. McLEAN. If I remember correctly, that proposition was brought to the attention of the Senate at the time the War Finance Corporation bill was before the Senate, and very serious objection was raised to the very provision which the Senator now advocates, because in the operation of the War Finance Corporation, the Senator will understand, very careful management is required.

If it had not been in the best of hands I am very certain that it would have done more harm than good; but fortunately it has been exceedingly well managed, and if the Senator had heard the testimony before the Committee on Banking and Currency he would have realized that under the operation of the law as it is these funds do go direct to the farmers, through the banks, in almost every instance where it has been necessary. As I said yesterday, in North Dakota the War Finance Corporation has loaned to 600 banks, upon the notes of 26,000 farmers. When you extend that power to the War Finance Corporation and give them the right to take notes from individuals, unless you have the very best of management, you are engaging in something which, to my mind, is exceedingly unwise.

With regard to the handling of our foreign exports, I would like to say to the Senator that one of the leading exporters of cotton from the South appeared before our committee and testified that at the present time Germany is consuming nearly her normal quantity of cotton, and paying for it without the least trouble. There is no difficulty to-day in financing our foreign exports where the foreigner has funds. There is no need whatever of extending in this country any additional facilities beyond those now exercised by the War Finance Corporation. I call these things to the attention of the Senator because I believe that his amendment is unnecessary and unwise.

Mr. LENROOT. May I add that the testimony shows not only is there no difficulty in farmers here securing credit if the foreigner has power to liquidate, but there is no difficulty of the foreigner himself getting the credit.

Mr. McLEAN. That is the idea I intended to convey. Germany sold in this country nearly a billion dollars worth of marks when they were far below par, and that credit is here now. We have purchased large totals of foreign securities, and we have loaned large sums of money, and credits are here, and this exporter from the South assured the committee that there was no difficulty whatever in financing the sale of goods to foreign purchasers.

Mr. HARRISON. The Senator thinks it is a perfectly sound business proposition; his only objection is, as I understand, that there is no necessity for it. Is that right?

Mr. McLEAN. I do not think it is sound to give to this corporation, a bureau here in Washington, the power to buy the paper of individuals. I should hope they would not exercise it. I think it much preferable that it go through a bank and carry a bank's indorsement.

Mr. HARRISON. This allows the banks to discount certain paper.

Mr. McLEAN. I do not object to that, where a bank will indorse the paper.

Mr. HARRISON. It also empowers and authorizes them to use their discretion in saying whether it is good or not.

Mr. McLEAN. I think Congress is going too far. I think we should require the indorsement of an established banking institution if we are to take money out of the Treasury of the United States and loan it to individuals.

Mr. HARRISON. Mr. President, it is very true that this proposition was advanced before. It was advanced when we amended the War Finance Corporation act. At that time we tried to incorporate a provision giving power to the War Finance Corporation to loan money directly to individuals. It is quite true that a majority of the Senate was at that time opposed to that proposal. I was very heartily in favor of it. I am in favor of a proposition such as that being incorporated in the Lenroot-Anderson bill, which will follow the Capper bill. I shall attempt to have it amended in that particular. So I have not changed my opinion about that proposition at all, and when we drafted the bill amending the War Finance Corporation act there was an amendment, not in the exact wording of this amendment, but the idea was there, that the War Finance Corporation could loan money either to foreign interests or foreign governments, where the security was good, where it was to go to purchase agricultural products in this

country, and the money was to be expended in the United States. That went out, not by a vote of the Senate but because of the compromise measure that was adopted it was thought wise by a majority of the Senate to leave it out.

I do not agree with the Senator from Connecticut or with the Senator from Wisconsin that there is not now a need for the sale of surplus agricultural products of this country and that there is now a sufficient credit among foreign nations for the purchase of them. I believe quite to the contrary, and I also believe that this amendment would furnish a safe and splendid channel by which the farmers of America could dispose of their surplus products either to a foreign Government or to foreign citizens, provided they put up the right kind of security. I would not stand for a moment for the proposition that the law should not provide that the security should be adequate, because I want to see the Government absolutely safeguarded. I do not want to see the Government go into an adventuresome proposition. But the trouble is that there are some of us who have more confidence and faith in the integrity and in the ability of the men who comprise the War Finance Corporation than others have. I have great respect for the personnel of that corporation. I think the reviving of that corporation and the manner in which it has discharged its duties has been the one thing done since this administration was inducted into power that has really given relief. I am sorry I can not say more things have been done, but that is one thing which, so far as my State is concerned, I am sure has brought a very large measure of relief to the farmers of Mississippi, and I believe it has been of benefit to farmers all over the country. Of course, the restrictive provisions of the law compelled individuals to seek relief through the banks, and in many instances, perhaps, individual wants were not taken care of, but, as a whole, the situation among farmers and bankers was helped, and thousands of communities felt indirectly, if not directly, its good effect.

Mr. McLEAN. May I ask the Senator if he has submitted it to the manager of the War Finance Corporation, and whether it is approved by the War Finance Corporation?

Mr. HARRISON. I think the War Finance Corporation would oppose it.

Mr. McLEAN. I think they would.

Mr. HARRISON. I have more faith in the War Finance Corporation than the War Finance Corporation has in itself.

Mr. McLEAN. I understood the Senator to say he had the highest regard for the personnel of the War Finance Corporation.

Mr. HARRISON. I have; but the trouble about it in the beginning was that the War Finance Corporation thought we were piling so much work on them and giving them such a vast opportunity that they were afraid they might fall down under the weight of the load placed upon them, so they protested and said, "Oh, do not enlarge the power to that extent." But the farmers of the great Middle West have surplus crops, the prices of their products have decreased, and it will never increase until they sell and dispose of their surplus crops. The same thing is true of cotton, although there is such a small crop of cotton, of course, that it is being sold, and sold at a fair price, though the producers ought to get more for it. But the corn farmer and the wheat farmer must dispose of their surplus crop, and here is an opportunity to give to this great agency of the Government, which has millions and hundreds of millions of dollars lying idle, an opportunity to loan it on good security and let it be distributed in that way among the farmers of the country, so that they can dispose of their crops, now piled high or stored away. I want to see some of this much-talked-of "return to prosperity" make itself felt among the farming classes. They can not feel it or see it, unless, sirs, you give them an opportunity to market their surplus crops by either finding a market or creating a system by which a lacking credit may be supplied. That is what this amendment will do. If it is sound, even though we may on this floor differ as to its necessity, why not resolve the doubt in favor of the agricultural interests. It can do no harm, and the possibilities for good are manifold.

Mr. McLEAN. If the Senator from Mississippi will permit, I want to insist that in order to sell their crops they must have markets, somebody who wants to buy them. The Senator will concede that.

Mr. HARRISON. Certainly.

Mr. McLEAN. My position is that if there is anybody who wants to buy, and has the wherewith to pay for the products, there is no difficulty whatever in managing the exchange.

Mr. HARRISON. The Senator does not think they have the cash at this time over in Germany, for instance, and in a lot of other countries of continental Europe?

Mr. McLEAN. I just said to the Senator that they are purchasing this year something like a million and a half bales of cotton. They are making their payments without any trouble at all.

Mr. HARRISON. Oh, yes; but they might be purchasing two or three million bales if they had more credit.

Mr. McLEAN. They are purchasing all they can consume, as much as they consumed in Germany before the war.

Mr. GLASS. The Senator will recall that perhaps the largest exporter of cotton in all the South appeared before our committee and stated that the people abroad had no difficulty whatsoever in getting all the credit and all the bank accommodations necessary for all the cotton they could utilize over there.

Mr. HARRISON. Let us pass cotton by. Let us assume that is true. That is not true of wheat, of corn, and of live stock.

Mr. McLEAN. Precisely the same situation exists. The trouble is that there is an excess of about 650,000,000 bushels of wheat above pre-war production.

Mr. HARRISON. That is the point. We have to dispose of that surplus.

Mr. McLEAN. Where are you going to sell it if nobody wants it?

Mr. HARRISON. The Senator just assumes that nobody wants it. He assumes that there is no market for it. I assume that there is a market if the people had the credit to buy, and I am trying to afford an opportunity for them to get some credit, provided they can offer good security. This does not compel the corporation to loan any money but only authorizes them to loan the money provided the demand is made.

Mr. McLEAN. They have all the credit they want now if they have the security.

Mr. HARRISON. The Senator may believe that, and the Senator from Wisconsin may believe it—

Mr. McLEAN. There is no doubt about it.

Mr. HARRISON. But there are millions of Americans who do not believe it. In Europe to-day there are millions of dollars' worth of good securities, but the owners of them find these securities worthless when it comes to borrowing money in those countries on them.

Mr. GLASS. My friend the Senator from Mississippi said something about hundreds of millions of dollars lying around idle. I would like to know where they are. Only day before yesterday the Government of the United States had to borrow \$300,000,000 and issued Treasury certificates at 4½ per cent with which to do it. Where are these hundreds of millions of dollars lying around loose and idle?

Mr. HARRISON. I made that statement because the War Finance Corporation has \$500,000,000. I think that is the amount.

Mr. GLASS. No; the War Finance Corporation has a credit with the Treasury Department, a book credit, of \$500,000,000; but the Treasury Department has not any money lying around loose and idle. It is having to borrow money every day in the world at a pretty stiff rate of interest.

Mr. HARRISON. But that money is there, and was designated by Congress for a specific purpose. It is there. It is not used in any other manner.

Mr. GLASS. The Senator is mistaken in saying the money is there. There is no money there. There is nothing but a credit there. If the Government gets the money, it has to go out and sell Treasury certificates at 4½ per cent to get it. There is no money lying around idle. That is a fiction.

Mr. HARRISON. If there is no money lying around idle, I am in favor of going out and getting the money to loan to these farmers and to those who may buy their products on good security.

Mr. LENROOT. Mr. President—

Mr. HARRISON. I yield to the Senator from Wisconsin.

Mr. LENROOT. I would like to ask the Senator if he is not confusing purchasing power with credit facility. There is a very great lack of purchasing power in Europe, owing to the fact that the average individual is not employed or is not receiving such wages as give him purchasing power, and that individual has not the credit, very naturally. But the amendment does not propose to reach that individual. The people the amendment would reach now have the credit; but the trouble is they can not sell, because the purchasing power of the country is lacking.

Mr. HARRISON. I can not agree with the Senator wholly on that proposition. I think the amendment would aid very materially. It will strengthen and popularize the measure now being considered.

Now, Mr. President, if there is no other discussion on the amendment I am ready for a vote.

Mr. LENROOT. If the Senator will permit me, I would like to read a paragraph from the testimony of Mr. Howard, who appeared before the committee upon the subject. The Senator from Mississippi no doubt is acquainted with Mr. Howard. He is general sales manager for the American Cotton Growers' Exchange, composed of eight cotton States organized for cooperative cotton marketing. Among other things, he said:

I have charge, among other things, of the export sales of cotton.

He said further:

In regard to the present situation, in cotton particularly, that with which I am most familiar, I do not find that there is any proper demand from England or continental markets for special credits. I sell the Continent in dollars, payable in New York or payable on arrival of the steamer at the European port, and the buyers there seem to have no difficulty in securing credits to pay for all the cotton they wish to buy.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Mississippi [Mr. HARRISON].

Mr. HARRISON. On that I ask for the yeas and nays.

Mr. MOSES. Mr. President, I suggest the absence of a quorum.

The yeas and nays were ordered.

The VICE PRESIDENT. The yeas and nays having been ordered on the amendment, does the Senator from New Hampshire desire a quorum call?

Mr. MOSES. If the yeas and nays have been ordered, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll to ascertain the presence of a quorum.

The reading clerk called the roll, and the following Senators answered to their names:

Ball	Hale	McKinley	Spencer
Bayard	Harrell	McLean	Stanfield
Borah	Harris	McNary	Stanley
Brookhart	Harrison	Moses	Sterling
Bursum	Hefflin	Nelson	Sutherland
Capper	Jones, N. Mex.	New	Swanson
Colt	Jones, Wash.	Nicholson	Townsend
Couzens	Kellogg	Norbeck	Underwood
Curtis	Kendrick	Norris	Wadsworth
Ernst	Keyes	Oddie	Walsh, Mass.
Fernald	Ladd	Overman	Walsh, Mont.
Fletcher	La Follette	Phipps	Warren
Frelinghuysen	Leafoot	Poindexter	Williams
George	Lodge	Sheppard	Willis
Gerry	McCumber	Shortridge	
Glass	McKellar	Simmons	

The VICE PRESIDENT. Sixty-two Senators have answered to their names. A quorum is present. The question is on the amendment offered by the Senator from Mississippi on which the yeas and nays have been ordered.

Mr. JONES of Washington. Let the amendment be read.

The VICE PRESIDENT. The Secretary will report the amendment.

Mr. MOSES. The amendment of the Senator from Mississippi is a very long one and has been read once or twice. I suggest that the Senator from Connecticut [Mr. McLEAN] might state the purport of it.

Mr. JONES of Washington. I withdraw the request.

The VICE PRESIDENT. The Secretary will call the roll on agreeing to the amendment.

The reading clerk proceeded to call the roll.

Mr. CURTIS (when Mr. CAMERON's name was called). I wish to announce that the Senator from Arizona [Mr. CAMERON] is detained on official business.

Mr. PHIPPS (when his name was called). I have a pair with the junior Senator from South Carolina [Mr. DIAL], which I transfer to the junior Senator from Maryland [Mr. WELLER], and vote "nay."

Mr. WILLIS (when his name was called). I am paired with my colleague, the senior Senator from Ohio [Mr. POMERENE], who is absent because of illness. I transfer that pair to the senior Senator from Pennsylvania [Mr. PEPPER] and vote "nay."

The roll call was concluded.

Mr. SUTHERLAND (after having voted in the negative). I have a general pair with the senior Senator from Arkansas [Mr. ROBINSON], who is absent. I transfer that pair to the junior Senator from Arizona [Mr. CAMERON] and allow my vote to stand.

Mr. McKINLEY (after having voted in the negative). I have a permanent pair with the junior Senator from Arkansas [Mr. CARAWAY], who has not voted. I transfer that pair to the junior Senator from Vermont [Mr. PAGE] and allow my vote to stand.

Mr. HALE. I transfer my pair with the senior Senator from Tennessee [Mr. SHIELDS] to the senior Senator from Connecticut [Mr. BRANDEGEE] and vote "nay."

Mr. BAYARD (after having voted in the affirmative). I have a pair with the junior Senator from Pennsylvania [Mr. REED].

I thought he was present, but I find he is absent. I desire to transfer my pair with that Senator to the senior Senator from Missouri [Mr. REED] and allow my vote to stand.

Mr. KENDRICK (after having voted in the affirmative). Has the Senator from Illinois [Mr. McCORMICK] voted?

The VICE PRESIDENT. That Senator has not voted.

Mr. KENDRICK. I have a general pair with the Senator from Illinois [Mr. McCORMICK]. I transfer that pair to the Senator from Nebraska [Mr. HITCHCOCK] and allow my vote to stand.

Mr. McCUMBER (after having voted in the negative). I transfer my general pair with the junior Senator from Utah [Mr. KING] to the senior Senator from Vermont [Mr. DILLINGHAM] and allow my vote to stand.

Mr. JONES of Washington (after having voted in the negative). Has the senior Senator from Virginia [Mr. SWANSON] voted?

The VICE PRESIDENT. That Senator has not voted.

Mr. JONES of Washington. I promised to take care of him with a pair in his absence. I transfer that pair to the senior Senator from Iowa [Mr. CUMMINS] and allow my vote to stand.

Mr. WILLIAMS. Mr. President, a parliamentary inquiry. Has the Senator from Indiana [Mr. WATSON] voted?

The VICE PRESIDENT. He has not voted.

Mr. WILLIAMS. I transfer my pair with that Senator to the senior Senator from Louisiana [Mr. RANDELL], and I vote "yea."

Mr. COLT (after having voted in the negative). Has the junior Senator from Florida [Mr. TRAMMELL] voted?

The VICE PRESIDENT. He has not voted.

Mr. COLT. I transfer my pair with that Senator to the senior Senator from Maryland [Mr. FRANCE] and allow my vote to stand.

Mr. CURTIS. I wish to announce the following general pairs:

The Senator from New Jersey [Mr. EDGE] with the Senator from Oklahoma [Mr. OWEN]; and

The Senator from South Dakota [Mr. STERLING] with the Senator from South Carolina [Mr. SMITH].

The result was announced—yeas 21, nays 40, as follows:

YEAS—21.

Bayard	Hefflin	McNary	Walsh, Mass.
Brookhart	Jones, N. Mex.	Norbeck	Walsh, Mont.
Capper	Kendrick	Norris	Williams
Fletcher	Ladd	Sheppard	
Harris	La Follette	Simmons	
Harrison	McKellar	Stanley	

NAYS—40.

Ball	Frelinghuysen	Lodge	Poindexter
Borah	George	McCumber	Shortridge
Bursum	Gerry	McKinley	Spencer
Calder	Glass	McLean	Stanfield
Colt	Hale	Moses	Sutherland
Couzens	Harrell	Nelson	Townsend
Curtis	Jones, Wash.	New	Underwood
Elkins	Kellogg	Nicholson	Wadsworth
Ernst	Keyes	Oddie	Warren
Fernald	Leafoot	Phipps	Willis

NOT VOTING—35.

Ashurst	Edge	Owen	Shields
Brandegee	France	Page	Smith
Broussard	Gooding	Pepper	Smoot
Cameron	Hitchcock	Pittman	Sterling
Caraway	Johnson	Pomerene	Swanson
Culberson	King	Ransdell	Trammell
Cummins	McCormick	Reed, Mo.	Watson
Dial	Myers	Reed, Pa.	Weller
Dillingham	Overman	Robinson	

So Mr. HARRISON's amendment was rejected.

Mr. NORBECK. Mr. President, I desire to offer an amendment to the pending bill. I am not opposed to the bill; I am satisfied with it and with all of its features, except that I think the title to the bill may be misleading. As a member of the Committee on Banking and Currency, I had an opportunity for two weeks to listen to the hearings on the bill, and it was plainly understood from the beginning that the bill was not an agricultural credit measure, but that it was a live-stock loan bill designed to provide for the formation and supervision of live-stock corporations; in other words, to obtain credit for the cattlemen of the West. In fact, the junior Senator from Kansas [Mr. CAPPER] stated before the committee the first day he appeared that the bill was not intended as a farm-credit bill; that it was not intended to help the man with 50 head of cattle or the man who had a hundred head of cattle; but that it was intended to take care of the big cattle concerns of the West which run a thousand head or so of cattle; and it may serve a very good purpose at that. Not much, however, is expected from the bill by its advocates. Some have said that they hoped a half dozen companies would be organized; some have said that

they hoped that the number might be 50; but, admitting that it might be 100, the bill after all will afford but a very small addition to the 30,000 banks that extend credit throughout the country.

My amendment simply goes to this question. Section 1 of the bill reads:

That this title may be cited as "the Federal agricultural credits act."

Thus it preempts the ground. One of the things we are contending for is a sane, practical farm-credits act; and I do not propose, so far as I am concerned, that a cattle loan corporation act shall be denominated "the Federal agricultural credits act." So I send to the desk an amendment and ask that it may be read.

The VICE PRESIDENT. The amendment proposed by the Senator from South Dakota will be stated.

The ASSISTANT SECRETARY. On page 1, section 1, in lines 5 and 6, it is proposed to strike out the words:

That this title may be cited as "the Federal agricultural credits act."

And in lieu thereof to insert:

That this title may be cited as "the Federal live-stock corporation loan act."

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from South Dakota.

Mr. McLEAN. Mr. President, if that change in the language of the bill shall be made, other changes ought to be made, because, as the Senator from South Dakota knows, the proposed corporations are denominated throughout the bill as "Federal agricultural credit corporations," and the title of the bill was framed to correspond with its provisions, which relate solely to Federal agricultural credit corporations. I hope, therefore, the amendment will not be agreed to.

Mr. NORBECK. Mr. President, I simply wish to say that the suggestion of the chairman of the Committee on Banking and Currency is correct, and I shall endeavor to have other amendments to the bill adopted if the one which I now offer shall be agreed to, which I hope it may. We do not wish to practice deception upon the farmers at this time, and to pass a bill which relates to something else and yet call it an agricultural credits act. I ask for the yeas and nays on the amendment.

Mr. McLEAN. The bill goes further than to provide credit for cattle companies; it includes all agricultural products. There is no exception made in favor of cattle companies. It includes them, but it also includes everything that is grown on the farm. I see no force whatever in the proposition of the Senator from South Dakota.

Mr. LENROOT. Mr. President, it seems to me that there ought to be some amendment to Title I of the bill. Unless there be an amendment, the people of the country are going to be very grossly misled concerning what the bill is, especially if this should be the only bill that should be passed upon the subject of agricultural credits at this session. However, may I suggest to the Senator from South Dakota that if he would strike out the words "live stock" from his amendment and insert "agricultural" it would meet the objection of the Senator from Connecticut and avoid any other and further amendments to the bill?

Mr. McLEAN. I should have no objection to the amendment in that form.

Mr. NORBECK. I will say that that would be satisfactory to me, if the word "corporation" should be retained in the bill, because that would describe what the bill is. It provides for the organization of and regulation of cattle credit corporations.

Mr. LENROOT. My suggestion is to leave the language as the Senator has proposed it, but to strike out the words "live stock" and to insert the word "agricultural."

Mr. NORBECK. Why not put them both in? I will accept any change that will leave the word "corporation" in, because the bill provides for regular corporations to be formed for the purpose I have indicated.

The VICE PRESIDENT. Does the Chair understand the Senator to desire to perfect his amendment?

Mr. NORBECK. Yes.

The VICE PRESIDENT. The amendment as modified will be stated.

The ASSISTANT SECRETARY. On page 1, in lines 5 and 6, it is proposed to strike out the words "the Federal agricultural credits act" and to insert the words "the Federal agricultural corporation loan act."

Mr. McLEAN. I have no objection to that.

The VICE PRESIDENT. Does the Senator desire the yeas and nays on his amendment?

Mr. LENROOT. Mr. President, the chairman of the committee has accepted the amendment.

Mr. LODGE. The Senator from Connecticut has accepted the amendment.

Mr. FLETCHER. I hardly think the chairman of the committee by accepting it assumes to preclude the Senate from voting upon it. The point has been made that he accepts the amendment and that that settles it. I hardly think that ought to follow.

Mr. McLEAN. The amendment which the chairman of the committee is willing to accept is that the title shall be "The Federal agricultural corporation loan act." I have no objection to that.

The VICE PRESIDENT. The question is on agreeing to the amendment as modified.

Mr. BROOKHART. Mr. President, it seems to me that the suggestion coming from the Senator from Wisconsin [Mr. LENROOT] does not meet the situation; and, so far as the farmers of the United States are concerned, I deem the matter an important one. This measure as framed will be of no value whatever to the farmers of my State, and it will not be used by them. It does not provide an agricultural credits system which will be practicable in the State of Iowa, nor do I believe it will be used in the neighboring States. Therefore I think the words "live stock" should be inserted in the title. The words "and other agricultural purposes" might also be in it, but the words "live stock" certainly ought to be retained.

I think the bill, if finally enacted, will be of some benefit, perhaps, to the Western States. They already have formed live-stock associations which, I understand, will fit into this legislation; and if that is true, I am willing that they should have the benefit of the measure; but I do not want to go back to the farmers of Iowa and say that I voted for an agricultural credits corporation act or anything of that kind when I feel at the same time that it will be of no benefit to them.

I wish to state further, Mr. President, with reference to this measure, that, in my opinion, we are off on the wrong foot in endeavoring to establish any kind of farm credit corporation. I think any farm credit system ought to be cooperative in its organization. This measure will not meet the purposes of the great farm movement in the United States. Anyone can go out to a farm organization anywhere, for instance, to Red Brick Local 659, and can ascertain from them all about what a co-operative association is. They will also say that the farmers are entitled to credit associations that are cooperative, and they will know immediately that this measure does not meet their demands.

In the State of Iowa there are 1,900 banks organized on the corporation system, and yet there is not a single bank in the State of Iowa that fits into the business of agriculture, although agriculture represents more than three-fourths of all the business of the State. The control of the credit system is such that the commercial idea dominates it. That idea runs clear up through our whole banking structure, and even dominates the policy of the Federal reserve system. That policy admittedly does not fit the business of agriculture.

Here we have all this talk about the length of time. Here is agriculture, the basic business of this country, with one-third of the capital investment of the whole country, and, as I have figured it out, agriculture is furnishing in this great banking organization about 40 per cent of the bank deposits of the country; and yet in the whole credit organization it is ignored, and it is not considered as a business at all, and our whole program is fixed from the commercial standpoint.

I see no reason, except the arbitrary reason that has gone with the banker's idea of the business turnover, against making this time limit all the way through up to the full length of time of the farmer's turnover. I feel, therefore, that we have started wrong. I believe we had better have worked out a real co-operative association, under cooperative control, and that would mean under the control of the farmers themselves. Bankers' associations of the State of Iowa tell me that there never has been a time when the farmers did not deposit more money in the banks of our State than they had back for use in agriculture. If that is true in Iowa, I believe it is more than true in almost every other State of the Union, because we are big borrowers out there.

The State of Iowa is the feeding ground for all the western country. Great numbers of range cattle are brought in to the Kansas City market and the Omaha market and the Sioux City market, and the Iowa farmers buy them and take them out on the farm and feed their crops to them. That takes a large amount of credit—more, I believe, than is required in any other

agricultural State—and yet in our State the farmers collectively have more bank deposits than they ever have used.

The whole trouble comes from the fact that we are organized on this commercial basis, and not on the cooperative basis. Since we are organized in that way and this flow of credit is controlled by the banking idea rather than by the agricultural idea, we are short of credits in our State; and in the whole United States I feel that the discrepancy is much greater. As nearly as I can tell on the basis of statements from officers of the Federal reserve bank, the farmers deposit more than 25 per cent of the total deposits in the banks of the United States; and yet, if you will take the report of 1920, which analyzes this, you will find that that would amount in the national banks to over \$4,000,000,000, or about that, and yet they received back for use for agricultural purposes the total sum of \$1,998,000,000.

The farmer is not permitted, I repeat, under the laws, either of the States or of the United States, to organize his own funds under his own control. They are organized on a commercial idea. Therefore, I feel that the title of this bill should be restricted to the particular purpose which it will more fully serve.

A motion having been prepared here in line with these suggestions, I move to insert the words "live stock and" before the word "agricultural," so as to read as follows:

That this title may be cited as "The Federal live stock and agricultural corporation loan act."

The VICE PRESIDENT. The amendment to the amendment will be stated.

The ASSISTANT SECRETARY. It is proposed to strike out lines 5 and 6 on page 1 and to insert:

SECTION 1. That this title may be cited as "The Federal live stock and agricultural corporation loan act."

Mr. McLEAN. I have no objection to that amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Iowa to the amendment offered by the Senator from South Dakota.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. NORBECK. Mr. President, I have decided to offer another amendment in harmony with this. The first part of the title of the bill reads as follows:

To provide credit facilities for the agricultural and live-stock industries of the United States—

And so forth. I propose to amend it so as to read as follows:

To provide for incorporation and supervision of corporations formed for the purpose of making agricultural and live-stock loans.

The VICE PRESIDENT. The time to take up amendments to the title is after the bill is passed. The bill is before the Senate as in Committee of the Whole and open to amendment.

Mr. FLETCHER. Mr. President, I suggest that on page 2, line 1, there ought to be inserted, after the words "United States," the words "to be known as Federal live-stock and agricultural loan corporations." That designates the names of the corporations to be formed under this act, in order to conform to the title.

Mr. McLEAN. I have no objection to that.

Mr. FLETCHER. I move, then, to insert after the word "States," in line 1, page 2, the words "to be known as Federal live-stock and agricultural loan corporations." Then I presume in line 23 the word "credit" ought to go out, so that the name of each corporation organized under this act shall include the words "Federal" and "agricultural loan."

Mr. McLEAN. I do not think there should be any amendment on line 23. We are simply naming the corporations there.

Mr. FLETCHER. It is inconsistent with the title.

Mr. McLEAN. I know it is inconsistent, but I think the Senator's amendment is entirely unnecessary.

Mr. FLETCHER. I make no point about it.

Mr. McLEAN. I hope the Senator will not insist upon it. I think it is entirely unnecessary and will tend to complicate rather than to clarify the language of the bill.

Mr. FLETCHER. I am not disposed to differ with the chairman on that subject. Since the words "agricultural credit" seem to be eliminated from the title, I thought perhaps they should not occur again in line 23 as a necessary part of the name. I do not, however, insist on the amendment, if the chairman prefers to leave it that way.

The VICE PRESIDENT. The amendment offered by the Senator from Florida will be stated.

The ASSISTANT SECRETARY. On page 2, line 1, after the words "United States," it is proposed to insert the following words: To be known as Federal live stock and agricultural loan corporations.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Florida.

The amendment was agreed to.

Mr. FLETCHER. Then on line 5, page 4, I move that the word "regulating" be stricken out and that in lieu thereof the word "defining" be inserted, so that it will read:

To prescribe by its board of directors by-laws not inconsistent with law or the regulations of the Comptroller of the Currency defining the manner in which its general business may be conducted—

Instead of "regulating."

Mr. McLEAN. Why not put them both in?

Mr. FLETCHER. I do not think it is necessary to insert both. It is just a repetition.

Mr. McLEAN. Either word covers the subject completely, but I have no objection.

Mr. FLETCHER. I think the word "defining" is better than the word "regulating."

The VICE PRESIDENT. The amendment will be stated.

The ASSISTANT SECRETARY. On page 4, line 5, it is proposed to strike out the word "regulating" and in lieu thereof to insert the word "defining."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Florida.

The amendment was agreed to.

Mr. FLETCHER. Mr. President, I shall not move to strike out paragraph (8), but I raise the question there whether or not it is advisable to establish these branches. The committee seems to have thought it was well to provide for establishing and maintaining branches or agencies of these corporations everywhere. It seems to me the provision is a very questionable one, but if the committee is satisfied with it I am. I make no point about it.

Mr. McLEAN. They are not banks. They will not compete with commercial banks of deposit. It seems to me it will be a great convenience for them to have branches, and I can see no possible objection to it.

Mr. FLETCHER. I move to insert, on page 6, line 13, after the word "market," the words "or by Federal farm-loan bonds as collateral."

Warehouse receipts or other like documents, or chattel mortgages, or other instruments conferring a first and paramount lien upon live stock which is being fattened for market, are considered sufficient security under the bill. I believe that farm-loan bonds are just as good security as a chattel mortgage on a cow or a thousand cows, depending upon the value of the face of the bonds, and I see no reason why Federal farm-loan bonds should not be accepted as security for paper of this kind. That is the object of the amendment.

Mr. McLEAN. Mr. President, what becomes of the theory that the Federal reserve notes shall be based upon self-liquidating paper, short-time paper? We went all through that controversy when we made United States bonds eligible for rediscount. We are trying to get that long-time investment paper out of the banks, and the law especially provides that no such security shall be eligible. It shuts out all manner of stocks and bonds. Farm-loan bonds are no better than municipal bonds; and when you let that class of paper into the Federal reserve system and make it eligible as security for the issuance of bank notes payable in gold on demand you are violating the basic principle upon which the Federal reserve system was founded.

Mr. FLETCHER. The difference between the chairman of the committee and myself is about this: He considers security liquid provided it matures within a certain length of time. I consider security liquid if it is good. If it is perfectly safe, if it has the value behind it and means cash whenever demand is made, in my judgment it is a liquid security. The farm-loan bonds are not only valuable, are not only secured, in the first place, by the obligation of the borrower, by the mortgage upon his premises to the extent of 50 per cent of the actual value of his land and 20 per cent of the value of the insured buildings upon his land, but back of that also is the indorsement of the national farm loan association of which he is a member. Back of that is the responsibility of the Federal land bank that issues the bond. Back of that is the approval of the Farm Loan Board authorizing the issue of the bond; and those bonds are by law made security for protecting the accounts of guardians and trustees and administrators and executors in practically all the States of the Union.

They are salable upon the open market. The last issue of \$75,000,000 was taken in two hours after they were offered at 4½ per cent and above par, so that it seems to me that a bond of that sort is as good a security back of this paper as a mortgage on cattle, which may die the next week.

Mr. McLEAN. We lived for 50 years or more under a bond-secured currency and we got tired of it. We established the Federal reserve system for the purpose of securing an elastic

currency. If we should go back to the bond-secured currency, we might as well include Government and other bonds and abandon all idea that our Federal reserve system will continue as a system for the issuance of an elastic currency. We would deprive it of its elastic properties the moment we qualify bonds as security for the notes.

The VICE PRESIDENT. The Secretary will state the amendment.

The ASSISTANT SECRETARY. On page 6, line 13, after the word "market," the last word in the line, insert a comma and the following words "or by Federal farm-loan bonds as collateral."

The amendment was rejected.

Mr. FLETCHER. I may say that I will raise that question again at some other time, but will let that verdict, as to this particular bill, remain as it has been rendered.

On page 7, line 8, it seems to me there ought to be an express provision allowing the substitution. By inference it follows that there may be substitution, but I can see no objection to making it clear. After the word "securities," in line 8, page 7, we should insert the words "the right of substitution being hereby granted." The inference is that it would be granted.

Mr. McLEAN. Clearly so. I can not see any necessity for the amendment suggested by the Senator.

Mr. FLETCHER. It simply expressly authorizes the substitution of securities.

Mr. McLEAN. It is authorized under the language of the bill, is it not?

Mr. FLETCHER. I do not think it is clearly authorized.

Mr. McLEAN. It reads, "other instruments which may be pledged as security therefor, the provision which may be made with regard to release, substitution, or exchange of such securities," under the authority of the Comptroller of the Currency.

Mr. FLETCHER. Is there any objection to saying, "the right of substitution being hereby granted"?

Mr. McLEAN. No; I have no objection.

Mr. FLETCHER. I move that amendment.

The VICE PRESIDENT. The Secretary will state the amendment.

The ASSISTANT SECRETARY. On page 7, line 8, after the word "securities" and the comma, to insert the words "the right of substitution being hereby granted."

Mr. LENROOT. May I suggest that if that language is adopted there will at once be raised the very serious doubt as to whether the exchange of securities will be authorized, unless we make the same amendment in the other place.

Mr. McLEAN. That is true.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. FLETCHER. The only point about that is that the right of substitution must exist, and "provisions which may be made with regard to release, substitution," and so forth, do not give that right. Obligations maturing prior to the debt for which the obligation is made may often be pledged as security; and without the right of substitution the borrower is at a disadvantage in the matter of interest, or the borrower may find it desirable to sell some of the live stock before the maturity of his debt. Unless we expressly allow substitution, I do not see that he has that right under the language as it is. I am not prepared to press it further.

On page 9, under the head of "Limitation," in line 3, I move to insert, after the word "incur," the word "direct," so that it will read, "No corporation organized under this act shall incur direct liabilities," and so forth, and strike out the words "whether direct or contingent, in excess of ten times its paid-in capital." There may come a time as to contingent liabilities when the entire amount of a loan will exceed ten times the capital. Then they would have to quit business; whereas I think we should restrict their limitation there to their direct obligations and not extend it to contingent obligations, which refers to the entire amount of outstanding business.

Mr. McLEAN. A contingent obligation might become as binding or interfere just as seriously with the solvency of the institution as a direct obligation.

Mr. FLETCHER. It seems to me eventually they might have to quit business when they got to the amount of their entire obligations, contingent on all the debentures they have issued, even ten times the amount of their surplus and capital. I do not think that is meant. I think it means the direct obligations.

Mr. McLEAN. Will the Senator give us an instance of a contingent obligation that might not impair the solvency of the corporation?

Mr. FLETCHER. Suppose one of these corporations should have such a business that the total borrowing during a three-year period, which is the life of the debentures, would be restricted to ten times the capital. Then, when the limit had been reached no current business could be done, because there is a contingent liability on the entire amount of the business done for the three years. It is presumed that obligations of others which are sold and transferred have within themselves sufficient security to find a purchaser. Contingent liabilities of banks, such as rediscounts, and so forth, are specifically excepted from reserves, and I do not see why as to these corporations contingent liabilities should not be excepted from the requirements above the 10 per cent of the paid-in surplus and capital.

Mr. McLEAN. The debentures would be a direct liability.

Mr. FLETCHER. They might not be if they are used simply to obtain money on, if they are simply indorsed.

Mr. McLEAN. If they indorse their own obligation, there is a direct liability, is there not?

Mr. FLETCHER. It seems to me if you broaden this so as to include all their liabilities—liabilities whether direct or contingent—you will reach a time in the operation of these corporations within the three years when they will have to stop doing any current business.

Mr. McLEAN. I dislike very much to consent to an amendment of that character, but if this passes the Senate and goes to the House the House committee can consider it, and if there is no objection to it it can be adopted there. But I dislike very much to increase the limit which these concerns may loan above ten times their paid-in, unimpaired capital and surplus. It seems to me that is as far as we should go.

Mr. FLETCHER. If the chairman of the committee feels that way about it and feels that this language is not too broad, so that it will not paralyze these institutions, I am not disposed to press the matter.

Mr. WALSH of Montana. Let me inquire of the Senator from Florida what kind of a contingent liability it is possible for one of these corporations to incur? It issues its debentures. It does not even indorse them. It issues them and sells them. Of course, a man may be contingently liable upon a bond for the faithful performance of an act by some one else. That is, if someone else does not perform the duty, he becomes liable on the bond. But I am unable to discover here that these corporations are entitled to enter into any kind of contract under which they would be contingently liable. I accordingly think that in a practical way the effect of the legislation would be just exactly the same whether the word "contingent" is left in or not.

Unless their effectiveness is going to be impaired by reason of the fact that they do incur extensive contingent liabilities, I would see no reason for taking it out. So I rose to inquire of the Senator from Florida if he can inform us what contingent liabilities such a corporation is authorized to incur that might, as he fears, limit its activities.

Mr. FLETCHER. This would mean that the total borrowings during three years, which is the life of the debentures, can not exceed ten times the paid-in and unimpaired capital and surplus.

Mr. WALSH of Montana. Quite so; but is not that the case if you take "contingent" out and leave it simply providing for the direct liabilities, and so on? All of these debentures are direct liabilities of the corporation, not contingent liabilities.

Mr. GLASS. The corporation is authorized, under the provisions of the bill, to engage in the acceptance business, which is strictly a contingent liability business.

Mr. LENROOT. To buy and sell notes, even without their indorsement.

Mr. FLETCHER. That is the kind of paper that would be contingent. It is supposed that that paper is secured when it is offered to the corporation. It carries its own security. The corporation sells it, and there is a contingent liability there. Of course, the corporation may be looked to eventually to take care of that paper, and that is a contingent liability in my mind. That is what I had in mind when I made the suggestion. It is a contingent liability, but the paper itself is secured originally, carries its own security, and the makers are primarily looked to. The corporation would be looked to eventually, perhaps, and that, as I said, is a contingent liability. The total volume of all that business during three years can not exceed ten times the paid up capital and surplus. If it does, the corporation must stop business. It can not take care of current business at all any further. It seems to me that provision makes it ineffective, unless you limit it to direct liabilities.

Mr. WALSH of Montana. Let me follow that a little further. Subdivision 2 authorizes the corporation "to make ad-

vances upon or to discount, rediscount, or purchase, and to sell or negotiate, with or without its indorsement or guaranty, notes secured by chattel mortgages conferring a first and paramount lien upon maturing and breeding live stock," and so forth.

There is a contingent liability, as a matter of course, upon obligations of that character. The direct obligation is the obligation of the makers of the instruments.

But would the Senator from Florida put no limitation whatever upon the liability of the bank, contingent as it may be, arising from the purchase and sale of paper of that character? Would the Senator allow it to go on and incur liabilities of that character, contingent though they be, to an unlimited amount?

Mr. FLETCHER. I think the provision is confined to direct liabilities and gives sufficient protection.

Mr. LENROOT. Does the Senator think anybody would buy the debentures if there were no limitation upon the amount of rediscount that may be made with the indorsement of the corporation? It seems to me no investor would think of doing so unless there were some limitation upon the contingent liability.

Mr. FLETCHER. We have a limit of 10 per cent upon the direct liability. It seems to me that is sufficient protection, so long as we confine the direct liability to 10 per cent.

Mr. LENROOT. How is it any protection to the investor in a debenture if there may be an unlimited contingent liability upon rediscounts?

Mr. FLETCHER. I do not think there would be an unlimited contingent liability there. It is not supposed, as I said, that the bank would primarily be liable upon any of the rediscounts. The law with reference to contingent liabilities of banks is that such matters as rediscounts are specifically exempted from the requirements as to reserve. I do not see why the same rule should not apply here.

Mr. McLEAN. If the maker of a note did not pay it, it might become a liability that would seriously impair the solvency of the corporation.

Mr. FLETCHER. I believe it will be found that the provision, if it remains in the bill as it is, will make almost ineffective the organizations. The business would be so limited that it would not amount to very much. Still I am not disposed to press the matter. I have called the attention of the chairman of the committee to it, and I hope he will think it over. I ask for a vote upon it anyway.

The VICE PRESIDENT. The amendment will be stated.

The ASSISTANT SECRETARY. On page 9, line 3, before the word "liabilities," insert the word "direct," and after the word "liabilities" strike out the comma and the words "whether direct or contingent" and the comma after the word "contingent."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. FLETCHER. Mr. President, under section 6 the provision is that—

Any corporation organized under the provisions of this act may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the State in which such obligation is by its terms made payable.

I move to amend by striking out, on page 10, lines 1 and 2, the words "such obligation is by its terms made payable" and inserting in lieu thereof the words "its principal office is located."

For instance, we might have one of these corporations organized in one State making loans in other States. I saw a statement in the minority report, I believe it was, by the Senator from South Dakota [Mr. NORBECK] to the effect that a number of States have a contract rate of 12 per cent and a number of other States have a contract rate of 10 per cent. If we are going to be of any benefit to agriculture and to the live-stock raiser and to the producer generally, we must furnish the money, if we furnish it at all, at a reasonable rate. It does not avail the farmer to pay 12 per cent interest on the money which he must have. His business will not stand any such rate as that.

Under the bill all the corporation has to do is to take the paper in one State and make it payable in another State where such paper bears 12 per cent interest. Perhaps the borrower is doing business in a State where the legal rate is 6 per cent. That is where the principal place of business of the corporation is, and where its principal office is located, and there the legal rate of interest is 6 per cent. The bill would allow them to make the note payable in another State where the rate of interest is 12 per cent, and the borrower has to pay the rate of interest wherever the paper is made payable.

Mr. McLEAN. The borrower would know, of course, what interest he was bound to pay and would have something to say about it. If the rate were too high, he would go to some other source.

Mr. WALSH of Montana. The very purpose of the provision is to meet exactly that situation. It recognizes that the borrower, being pressed, will submit to an exorbitant rate of interest, and accordingly we put in a provision to help him so that an exorbitant rate of interest shall not be exacted of him. But the Senator has called attention to the fact that the purpose may be evaded very easily by making the obligation payable in a State that has the high rate of interest.

Mr. McLEAN. The borrower would have something to say about it.

Mr. WALSH of Montana. He would have something to say about it, but the provision is put in here because we know as a matter of experience that the borrower does not contract freely with respect to interest rates. Usury laws are founded upon the basis that he does not contract freely. Usury laws are founded upon the assumption that the lender has a power over him that he will exercise if he can, and, therefore, we have put in the provision limiting the rate which the lender may exact, but attention is called to the fact that the provision would be inoperative to accomplish the purpose that is intended to be reached.

Mr. FLETCHER. I can see no reason why the rate should not depend upon the rate in the State or locality where the principal office of the corporation is located.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. FLETCHER. Certainly.

Mr. LENROOT. Would it not be fairer if it were made dependent upon the residence or domicile of the borrower? Is it wise to have a Federal statute that would permit exaction of a higher rate of interest in a State than the laws of that State itself permits?

Mr. FLETCHER. The amendment I have offered would cover that.

Mr. LENROOT. We might have the principal residence of the corporation in a 12 per cent State, making loans in a 6 per cent State.

Mr. McLEAN. It might tie him up to 12 per cent when otherwise he could get a lower rate.

Mr. LENROOT. If it was made dependent upon the residence or domicile of the borrower, then the law would apply in every case, it seems to me.

Mr. FLETCHER. But the language is permissive. It says: Any corporation organized under the provisions of this act may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the State in which such obligation is by its terms made payable.

I propose to have that last clause read—
interest at the rate allowed by the laws of the State in which its principal office is located.

Of course, if one goes to a State where the principal office is located, he realizes he will in all probability be asked the legal rate. He may negotiate to get better terms if he can, but the rate may be that rate. I do not know, but I believe if the paper just read "with interest from such and such date" it would mean the legal rate in that State where the principal office was located, without expressly saying what the rate of interest was further than that.

But the vice of the provision, it seems to me, is to enable the paper to be negotiated in one State, that a corporation incorporated under the laws of a certain State, and then have it possible to make that paper payable in some other State where the rate of interest may be twice as high.

No one could be misled if he were making a contract with a corporation whose principal place of business was in a certain city in a certain State. He would expect the rate of interest of that State to control in the transaction. It seems to me the provision would give an advantage to the person furnishing the money to make it payable in some other State, perhaps, without the knowledge of the borrower of what the lender was up to and what was meant.

Mr. McLEAN. The rate would be a matter of contract below the State limit. Anything below the State limit may be agreed upon by the parties and the rate would be stated in the obligation. I confess I do not see any very serious objection to the language of the law as it is. If we do change it, I should hope it would be made to apply to the domicile or residence of the maker. It seems to me the suggestion made by the Senator from Wisconsin is a good one.

Mr. JONES of New Mexico. I do not know that it is a new thought at all, but if the idea suggested by the Senator from

Florida, as I understand it, were incorporated into the law it would be an inducement for these corporations to be organized in the State where they have the high limit on the rate of interest, and that would carry with it the right to charge the high rate in the other States.

Mr. FLETCHER. The right to do it, but not the obligation to do it.

Mr. JONES of New Mexico. There would be no obligation. Mr. McLEAN. It is probable that there would be some competition in the money market in every State in the Union. If any one of the corporations undertook to exact an unreasonable rate, it would not do any business. It is a matter of contract below the State limit. The borrower knows what he is to pay. I think it would be safe to assume he would be pretty careful about it, and he would not borrow money at 12 per cent if he could get it for 6 or 7 per cent.

Mr. FLETCHER. I do not see why a corporation of this kind, incorporated under the laws of one State and having its principal office in a certain city in that State, should be permitted to make its paper payable in any other State, wherever it saw fit to make it payable, even though the borrower might be a resident of its own State. That, it seems to me, would be rather an anomalous situation, but the bill authorizes it. There is a corporation, we will say, incorporated in Maryland with its principal office in Baltimore. There is a farmer out near Rockville who negotiates a transaction with the corporation. That corporation may make his note payable in South Dakota or North Dakota under the provisions of the bill. I see no reason for a provision of that kind.

However, Mr. President, it is too late now to discuss the matter further to-night. I have several formal amendments which I desire to take up and which will take some little time. Therefore I suggest that we lay the bill aside for the present.

ORDER FOR RECESS.

Mr. JONES of Washington. I ask unanimous consent that when the Senate concludes its business to-day it recess until 12 o'clock to-morrow.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

EXECUTIVE SESSION.

Mr. JONES of Washington. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After five minutes spent in executive session the doors were reopened, and (at 5 o'clock and 20 minutes p. m.) the Senate, under the order previously entered, took a recess until to-morrow, Wednesday, January 17, 1923, at 12 o'clock meridian.

NOMINATIONS.

Executive nominations received by the Senate January 16, 1923.

COLLECTOR OF CUSTOMS.

Carey D. Ferguson, of Detroit, Mich., to be collector of customs for customs collection district No. 28, with headquarters at Detroit, Mich., in place of Richard I. Lawson, whose term of office will expire February 20, 1923.

UNITED STATES DISTRICT JUDGE.

Albert L. Reeves, of Missouri, to be United States district judge, western district of Missouri. (An additional position created by the act approved September 14, 1922.)

UNITED STATES ATTORNEY.

Oliver D. Burden, of New York, to be United States attorney, northern district of New York, vice Earl Gallup, resigned.

MEMBER OF THE BOARD OF CHARITIES FOR THE DISTRICT OF COLUMBIA.

William J. Kerby, of the District of Columbia, to be a member of the Board of Charities for the District of Columbia for a term of three years from July 1, 1922. (A reappointment.)

PROMOTIONS IN THE REGULAR ARMY.

DENTAL CORPS.

To be captain.

First Lieut. Forest Vernon Bockey, Dental Corps, from January 6, 1923.

MEDICAL ADMINISTRATIVE CORPS.

To be first lieutenant.

Second Lieut. William Harvey Kernan, Medical Administrative Corps, from January 12, 1923.

CHAPLAINS.

To be chaplains with the rank of captain.

Chaplain Thomas Joseph Lennan, from December 28, 1922.
Chaplain Claude Skene Harkey, from December 28, 1922.

CONFIRMATIONS.

Executive nominations confirmed by the Senate January 16, 1923.

UNITED STATES DISTRICT JUDGE.

William N. Runyon, to be district judge, district of New Jersey.

POSTMASTERS.

ARKANSAS.

Leon E. Tennyson, Arkadelphia.
Edna M. Reed, Bigelow.
Hiram S. Irwin, Clarendon.
Dennis M. Lee, Flippin.
Randolph M. Jordan, Fordyce.
Dennis M. Townsend, Mena.
O. John Harkey, jr., Ola.
Monroe J. Gogue, Rector.

HAWAII.

Andrew O. Henderson, Papaikou.

KANSAS.

Clarence W. Clothier, Ensign.
Charles H. Browne, Horton.
Carl O. Lincoln, Lindsborg.

MARYLAND.

James P. Gooch, Brentwood.
Thomas B. Griffith, Cockeysville.
Mary W. Tise, Hyattsville.
Hobart B. Noll, Woodstock.

MASSACHUSETTS.

Carl D. Thatcher, Housatonic.
John H. Baker, Marlboro.
Thomas Smith, North Grafton.

SOUTH DAKOTA.

Eugene E. Vroman, Mound City.

TENNESSEE.

William M. Brewer, Collinwood.
Norman Massa, Cookeville.
Alvin M. Stout, Greenfield.
John H. Wilson, Kingston.
Eva Shelton, Linden.
Charles K. Metcalf, National Sanatorium.
Robert O. Greene, Troy.

HOUSE OF REPRESENTATIVES.

Tuesday, January 16, 1923.

The House met at 12 o'clock noon, and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Blessed be the Lord God of hosts, who forgiveth all our iniquities, who healeth all our diseases and whose holy purpose is to unfold the capabilities of the human soul. O Father of us all, in the season of prosperity may we be grateful and humble; in the times of adversity may we be patient and resigned. Grant us strength to withstand the temptation and pride that await upon power, and in all things may knowledge be seasoned with wisdom. Permit all good things to survive and succeed. Bless us with the evidence and the comfort of things not seen, for Thy name's sake. Amen.

The Journal of the proceedings of yesterday was read and approved.

AGRICULTURAL APPROPRIATION BILL.

Mr. ANDERSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 13481) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1924, and for other purposes, with Senate amendments, disagree to the Senate amendments, and ask for a conference.

The SPEAKER. The gentleman from Minnesota asks unanimous consent to take from the Speaker's table, disagree to the Senate amendments, and ask for a conference on the bill which the Clerk will report.

The Clerk read as follows:

A bill (H. R. 13481) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1924, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection; and the Speaker announced as the conferees on the part of the House Mr. ANDERSON, Mr. MAGEE, Mr. WASON, Mr. BUCHANAN, and Mr. LEE of Georgia.

EXTENSION OF REMARKS.

Mr. NEWTON of Missouri. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting in 8-point type my remarks before the Committee on Interstate and Foreign Commerce on alien property.

The SPEAKER. The gentleman from Missouri asks unanimous consent to extend in the RECORD, in 8-point type, his remarks delivered before the Committee on Interstate and Foreign Commerce on the subject of alien property. Is there objection?

There was no objection.

The extension of remarks referred to is here printed in full as follows:

Mr. NEWTON of Missouri. Mr. Speaker, under leave granted me to extend my remarks in the RECORD, I insert a copy of the remarks which I made before the Interstate and Foreign Commerce Committee of the House of Representatives on the subject of alien property, as follows:

STATEMENT OF HON. CLEVELAND A. NEWTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI.

Mr. NEWTON. Mr. Chairman, I think the members of the committee know that I have been taking a good deal of interest in the subject of alien property for quite some time. I have heard a good deal of the discussions before this committee, and it seems that the general attitude has been to confuse the German national with the German Government. I think there ought to be a very marked distinction made between the German Government and the national whose property we hold. We owe the nationals of that country who invested here an obligation, which I think ought to be given serious consideration.

We had treaty relations with Germany at the time we went into the war with respect to the nationals; and as you read and reread the pledge that we made in our treaty, and upon which investments by German nationals were made in this country, you realize that those nationals came here and made investments relying upon that pledge, and many of them came through the inducements of our American consuls in Germany. Much of their money was invested in railway stock, and we were needing money for the capitalization of our railroads. Some of that property was invested because of the friendship of nationals over there for their relatives in this country; and when we talk about depredations that were committed during the war, they were depredations committed by the German Government which we were fighting and not by the nationals whose property we hold.

We declared our attitude toward them not only in our treaty but later in the message of the President which preceded the declaration of war. I do not see how we can reconcile holding on to this property now, after the war is over, with the attitude we took then.

There is no doubt on earth, from the information I have, but what the declarations made by the President before Congress as we went into that war, constituted the wedge, and was intended to be the wedge, which drove a division between the rank and file of the people of Germany on the one hand and the kaiser and the military government on the other. A member of General Pershing's staff told me that after the President had made his speech, and while the war was on, they had their airplanes distribute extracts from the speech printed in German over the trenches where the soldiers could read them. They were extracts from the President's message upon which war was declared and which read like this:

"We have no quarrel with the German people. [Applause.] We have no feeling toward them but one of sympathy and friendship. It was not upon their impulse that the Government acted in entering into this war. It was not with their previous knowledge or approval. It was a war determined upon as wars used to be determined upon in the old, unhappy days when the people were nowhere consulted by their rulers."

That was our declaration, and through the President we declared further:

"We are glad, now that we see the facts with no veil of false pretense about them, to fight thus for the ultimate peace of the world and for the liberation of its people, the German people included."

We made a distinction always between the kaiser's government and the German people. We declared that the people of Germany had no control over the war; that they did not start it; that they could not stop it; that they could only carry its burdens. Those people had nothing to do with the depredations

committed by the kaiser's government, and yet it is those same people with whom we are dealing now.

The President, in his message to Congress, declared further: "We are fighting for the rights of the nations, great and small, and the privilege of men everywhere to choose their way of life and obedience. We have no selfish ends to serve; we desire no conquest, no dominion; we seek no indemnities for ourselves, no material compensation."

And yet, in the face of this proclamation, our Government has permitted private property belonging to innocent German nationals, who had enough friendship for this country and enough faith to make their investments here, to be sold at public and private sale for sums infinitely less than the real value of such property. Not only that, but now, nearly four years after the war, we are permitting the custodian to hold the inadequate proceeds of such sales, together with other property belonging to German and Austrian nationals.

Our representatives at The Hague conference during all these years have been pioneers in standing for the rights of private property upon land in time of war, and our representatives have tried to induce the other nations to give this protection to private property upon the high seas. And now that we are holding the property of the nationals of a fallen foe it is distressing to see our Government so long delay in complying with the ideals which we have so long advocated.

If you can find any national in this country who owns property in the possession of the custodian and who committed or assisted in committing any of the depredations with which the kaiser's government is charged, then you should hold him to account. But, so far as I know, there are no nationals whose property we hold to whom we can charge any of the depredations of which we complain.

Repeatedly during the war we declared our hostility to the kaiser's government, and our sympathy and friendship for the German people. I have no doubt from all that I have learned but what this proffer of sympathy and friendship made the army lay down and caused the people of Germany to force the kaiser out, an achievement which brought the war to a close while their armies were still in foreign territory. Now that the people of Germany have eliminated that military government and established a Republic I think we should live up to our proffer of friendship, give that Government a helping hand, and keep faith with the nationals for whom we are acting as trustees.

It is interesting to study the provisions of Article XXIII of the treaty in force during the war between the United States and Germany. It reads as follows:

"If war should arise between the two contracting parties, the merchants of either country then residing in the other shall be allowed to remain nine months to collect their debts and settle their affairs and may depart freely, carrying off all their effects without molestation or hindrance; and all women and children, scholars of every faculty, cultivators of the earth, artisans, manufacturers, and fishermen unarmed and inhabiting unfortified towns, villages, or places, and in general all others whose occupations are for the common subsistence and benefit of mankind shall be allowed to continue their respective employments and shall not be molested in their persons nor shall their houses or goods be burned or otherwise destroyed nor their fields wasted by the armed force of the enemy into whose power by the events of war they may happen to fall; but if anything is necessary to be taken from them for the use of such armed force the same shall be paid for at a reasonable price."

The office of the Alien Property Custodian was created within six months after the declaration of war, and I do not know of any German national who was ever permitted to carry off any of his effects which happened to be in this country when war was declared.

The only justification for the creation of the office of Alien Property Custodian was to prevent the nationals who were then our enemies from using their property in this country against us during the war. That was the reason which justified our action at that time, but that reason ceased to exist over four years ago, and still we are holding the property, in the face of our treaty obligation to the German national—a treaty obligation entered into in time of peace when the blood was cool—a treaty obligation which the nationals of Germany and Austria had the right to assume we would faithfully keep, an obligation which plainly provides that the merchant has nine months to carry off all his property, without molestation or hindrance; that all women and children, scholars of every faculty, cultivators of the earth, artisans, manufacturers and fishermen, unarmed inhabiting unfortified towns, villages, and places, and, in general, all others whose occupations are for

the common subsistence and benefit of mankind should be allowed to continue their employments without molestation.

Every foreigner in this country engaged in a civil pursuit, manufacturing or anything else which was productive, certainly was included. Note the language: "In general, all others whose occupations are for the common subsistence and benefit of mankind shall be allowed to continue their respective employments, and shall not be molested in their persons, nor shall their houses be burned or otherwise destroyed, nor their fields wasted by the armed force of the enemy into whose power by the events of war they may happen to fall; but if anything is necessary to be taken from them for the use of the armed force the same shall be paid for at a reasonable price."

Could anything be clearer as to the obligation of this Government to protect the national who did not start the war, who could not control the war, who had no power to stop the war, and with whom the President said in his proclamation: "We have no quarrel, we have no dispute with him; we know that he had nothing to do with it." Upon this pledge and under this obligation, he brought his money here and invested it in this country.

I have read the debate at the time the alien property bill was passed, and the statements of those who contended that war terminates all treaties. I have read article 23 of the treaty with Germany. In order to show how determined they were that war should not terminate the treaty, let us read article 24 of that document:

"And it is declared that neither the pretense that war dissolves all treaties, nor any other whatever shall be considered as annulling or suspending this and the next preceding article, but on the contrary, the state of war is precisely that for which they are provided and during which they are to be as sacredly observed as the most acknowledged articles in the law of nature and nations."

Mr. LEA. Assuming that we stand by that agreement, that war shall not abrogate this treaty, and also that shortly after we entered into the war with Germany, contrary to the provisions of that treaty, they took the property of American nationals and assumed control of it, as we did subsequently in the case of German nationals, would you not regard that as having abrogated this treaty?

Mr. NEWTON of Missouri. We had many reports that have not been verified as to what they did during the war. My understanding of the facts are that there was about \$100,000,000 worth of American property in Germany. They actually seized about \$20,000,000. They merely listed the balance and permitted our nationals to use it. I have no evidence that in Germany proper they ever sold out or converted any of the property.

Mr. LEA. What I was really getting at was the principle. I will agree that we should dispose of this question on a high moral plane; that we should justify ourselves from the moral standpoint; but I think sometimes in our anxiety to do that we may misinterpret the law. Now, I would draw a distinction between the mere fact of war breaking a treaty and a violation of the terms of that treaty by the other nation with whom we are at war.

Mr. NEWTON of Missouri. I think there was enough to justify seizing the property and holding it during the war. I think that we were morally justified in doing that. I do not think, however, that we have lived up to our treaty fully. I do not think that we had the proof to justify us in going as far as we did. But the war is over now and I think we should fulfill our obligation to the nationals as quickly as possible. I think we should have done that long ago.

Mr. LEA. So far as the nations are concerned, if they violate the specific terms of the treaty after the end of the war, then that would release us from the reciprocal obligation, would it not?

Mr. NEWTON of Missouri. I do not think so.

Mr. LEA. If two parties, for instance, enter into a contract and one man breaks the contract in a material respect, that releases the other. He is not bound to stand by the terms of the contract which becomes unilateral.

Mr. NEWTON of Missouri. But you entered into a contract with Germany which affected the national and upon which the national relied and made his investment.

Mr. LEA. But the treaty was with the German Government.

Mr. NEWTON of Missouri. So far as the German Government is concerned; yes, sir.

Mr. LEA. I am discussing the Government, not the individual.

Mr. NEWTON of Missouri. But I am discussing the individual. I recognize the fact that we would have a right to break the treaty with the Government. If they broke their treaty we would have a right to ignore ours.

Mr. HUDDLESTON. I would like to call your attention to the provision in the next preceding section, which provides that a breach of the treaty or declaration of war shall not be used as an excuse for saying that the other party has violated it. Have you the language there?

Mr. NEWTON of Missouri. Yes.

Mr. HUDDLESTON. I would like to have the language put in.

Mr. NEWTON of Missouri. I have articles 23 and 24.

Mr. HUDDLESTON. What is the last sentence in 24?

Mr. NEWTON of Missouri:

"It is declared that neither the pretense that war dissolves all treaties nor any other whatever shall be considered as annulling or suspending this and the next preceding article, but, on the contrary, that the state of war is precisely that for which they are provided and during which they are to be as sacredly observed as the most acknowledged article in the law of nature and nations."

Mr. HUDDLESTON. The expression that you used was "any pretense whatsoever," which is about as broad as can be made, it seems to me.

Mr. HAWES. I was just going to suggest that if we proceeded on that theory, if a belligerent nation should use poisonous gas, murder women and children, and destroy private property, and if you follow the logic of that conclusion, then we would be justified in doing all these things that our traditional policy has opposed.

Mr. NEWTON of Missouri. That is the situation.

Mr. LEA. Excuse the interruption. That does not follow at all. That does not justify us in doing anything that is of an immoral character, but we simply refuse to be bound from our side of the agreement when the other side has failed to perform their obligation to us. That does not justify us in doing anything immoral.

Mr. NEWTON of Missouri. We have no evidence that the nationals ever violated the treaty. I think that the Government's violation of the treaty justified our action in creating the custodian's office, but when we had conquered the Government and the national had done nothing offensive, then we should live up to our treaty obligation with the national who made his investment over here upon a guaranty, an implied guaranty at least, from that treaty relation that his property would be protected, and I think his property should be turned back immediately on that ground. And I do not think we were justified under the treaty in selling out and in converting a lot of property that has been converted. I think the sales were not justified.

Mr. GRAHAM of Illinois. In other words, we took more property than we needed to take. We went to extremes in doing that, did we not?

Mr. NEWTON of Missouri. We not only went to extremes but I heard the Alien Property Custodian during the war in a speech before the Chamber of Commerce of St. Louis say:

I do not know—I am not in a position to say absolutely—how far Congress intended that I should go, but I propose that by the time I have finished the administration of my office there won't be a German who owns any property of any substantial character in the United States.

Mr. GRAHAM of Illinois. I think that is true.

Mr. NEWTON of Missouri. Now, the truth of the matter was that during the war and a great part of the time since the war the custodian was not a custodian, a keeper, a trustee. The present custodian is performing his trust, in my judgment, as sacredly and fairly as a man could. He can not turn this property back without authority of law. I think he is faithfully performing the trust, but I think there were times when the war was on and since when the custodian was an auctioneer instead of a trustee—when he was selling property instead of preserving it, and to that extent we violated our trust. I was a prosecuting officer for about seven or eight years. I always made it a practice as a representative of this Government to conduct myself toward a defendant so that he could never say that his Government had ever taken an unfair advantage of him, and if we criticize Germany for violating her treaty, we should not violate ours.

But, regardless of that, when the war is over and after it has all passed, and we have come to deal with the national—and that is what I want to discuss to-day, the obligation to the national, who had no control over the war, who did not start it, who could not stop it, who had no voice in it, the fellow to whom we pledged our faith—I think we ought to keep faith with him as far as we can. I am not here advocating that we do anything which will violate the mature judgment of the State Department, but I think we ought to grant as much relief as we can.

Mr. DENISON. I want to ask a question right in that connection. The treaty does not put us under any obligation to the national as such. The treaty is an obligation between the two Governments, and the two Governments are the only parties to the treaty. If the nationals have an interest in it, it is incidental, and all the obligation is between the Governments and the Governments only.

Now, let me ask you this: The consideration for the agreement on the part of our Government was the agreement on the part of the German Government and vice versa, the agreement to mutually do certain things. Among other things they agreed mutually to respect the property rights of the merchants and others living in these countries, nationals of the other country. Now, the German Government did not observe this treaty from the beginning. It did not allow the Americans to get out of Germany and take their property, and the German Government has not yet paid Americans for the property losses in their country.

Mr. NEWTON of Missouri. Now, what is there that the German Government seized, except the bank deposits, that has not been turned back?

Mr. DENISON. I do not know myself.

Mr. NEWTON of Missouri. I do. I know that everything was kept intact; I got it from the State Department and I got it from the other sources that they sold nothing. They kept it, and where one of our banks had a million marks in a German bank the German bank tendered it back in kind. Now, the only thing that I have found to be left over there is the marks that were deposited in the banks. The rest of the property has been turned back more than two years—everything that was seized that was of a tangible nature. In fact, the only thing they seized was the money in the banks, and, as a result of the war, it depreciated in value, and the bankers here and the bankers there—or the German Government—have had a controversy on that account. But there is no evidence that they sold out anything like the Bosch magneto, or patents, or anything of that sort over there. They tendered American property back just like they seized it, except that the value of bank deposits went down.

Mr. DENISON. Of course, there is no use of trying to fool ourselves. When they took over gold and offered back paper that is worthless, that is not giving back the property. You can call it paying back in marks if you want to, but we know that as a matter of fact they took over something of value and offered back something without value. Not only that but they took property, destroyed property, of American citizens.

Mr. NEWTON of Missouri. In Belgium.

Mr. DENISON. Yes. Now, I want to ask you about this mutual obligation, this treaty obligation, the promise of each one, the agreement of each one depending upon the agreement of the other, where the German Government did not comply with the treaty, were we bound by it?

Mr. NEWTON of Missouri. Yes; we were bound by it so far as nationals are concerned. We entered into that agreement knowing that the national would probably rely on it. We watched him rely upon it. He came here and invested, relying upon that pledge, and by the inducement of our official consular representatives.

Mr. DENISON. But our nationals over there relied on it, too.

Mr. NEWTON of Missouri. Yes; and they have received their property back. But if they had not, what justification have you for holding all this property? As I understand it, there are around \$400,000,000 in American claims against Germany. Ninety per cent of them consist of insurance claims. To whom are you going to pay those claims? The insurance companies received their premiums and the owner of the goods received his money.

Mr. DENISON. I do not know anything about those details.

Mr. NEWTON of Missouri. I am discussing that point. I want to discuss that feature of how much you are going to hold as a guaranty for \$400,000,000 claims, and 90 per cent of them insurance claims.

Mr. DENISON. We are not a court to settle those things. That is up to the mixed claims commission.

Mr. NEWTON of Missouri. Yes; but you propose to hold a guaranty for them, and we know now that 90 per cent of the claims are insurance claims, and to whom are you going to pay these claims? If you pay them to anyone, he will be receiving payment twice.

Mr. DENISON. My own view is that there ought not to be very much of that paid to anyone.

Mr. NEWTON of Missouri. If you eliminate that, you have not more than \$50,000,000 of claims.

The CHAIRMAN. We had testimony here that it was double that amount.

Mr. NEWTON of Missouri. Mr. Garvin made the statement before this committee about two years ago that the Secretary of State, Mr. Lansing, had advised him that, considering 100 years' experience of the United States in international claims, that on an average not more than 3 per cent has been allowed; 3 per cent of \$400,000,000 would be \$12,000,000, and 90 per cent of that is insurance claims.

The CHAIRMAN. But I was not referring to that point. The testimony is that we have about double \$400,000,000 in claims.

Mr. NEWTON of Missouri. Well, suppose you have \$800,000,000. Ninety per cent of that amount is insurance claims, and, according to the information which I have from the Shipping Board, we are holding ships valued at about \$200,000,000.

Mr. GRAHAM. Let me ask you a question there. You are a Member of Congress, Mr. NEWTON, and this is partly your job as well as ours.

Mr. NEWTON of Missouri. I know it is.

Mr. GRAHAM. And you have got to help dispose of it. Would you advise settling and paying all this money to German nationals, disposing of that whole fund, under the present international circumstances, until we are assured that the claims finally determined by the mixed claims commission will be paid?

Mr. NEWTON of Missouri. I think it is all right to hold a reasonable amount, but I do not think we should hold three or four hundred million dollars to guarantee the payment of fifty million dollars.

Mr. GRAHAM. I agree with you.

Mr. NEWTON of Missouri. If you turn back up to \$10,000, that would amount to how much, Mr. Miller?

Mr. MILLER. Under the provisions of this bill it would amount to about \$44,000,000.

Mr. NEWTON of Missouri. Then there would be about \$300,000,000 of these funds left. If you kept \$150,000,000 of that amount with your \$200,000,000 of ships, you would have \$350,000,000. That should be a fairly good guaranty for our \$50,000,000 of claims.

The CHAIRMAN. Mr. NEWTON, from an ethical point of view, have you any more excuse for keeping \$150,000,000 than you have for keeping \$350,000,000?

Mr. NEWTON of Missouri. As a matter of fact, when you come down to bedrock, I do not think that we have an ethical justification for keeping any of it. If we have a claim because of the depredations of the kaiser, it ought to at least be borne by all the people and not by a few; it certainly should not be taken from those who were friendly enough to come here to invest their money.

As a Member of Congress I am interested, just like the members of this committee, in dealing with these nationals, and there is one thing that has especially rankled in my system. I think the most despicable of all the Germans during the war was Count von Bernstorff, who abused our hospitality and carried on his propaganda here in violation of our neutrality. He has confessed in his book to many things that he did, yet we paid back a million dollars to his wife, an American woman who went over there and married a German title, and we have paid millions more to other women of her kind. I would have made those the last claims to be paid. And yet that was done under a special act recommended by this committee and passed by Congress.

Mr. GRAHAM. When was that?

Mr. NEWTON of Missouri. That was done about two years ago. We gave Mrs. Von Bernstorff \$1,000,000, and we have paid out \$75,000,000 more under that act.

Mr. MILLER. I refused to pay her claim when I came in, and she beat me in a court of law.

Mr. NEWTON of Missouri. Yes; and she did it because this Congress provided the authority which gave to those women the right to their money. You can not justify that on ethical grounds. I would rather pay the poor German girl who had nothing to do with this war and never had a chance to marry an American boy her full claim than to pay an American woman who had a million dollars and went over there to marry a German count or a title of some sort.

Mr. NEWTON of Minnesota. I agree with you.

Mr. NEWTON of Missouri. I do not think it makes so much difference whether you authorize the release of all the property or only a part of it. If you authorize the release of all claims up to \$10,000 and 50 per cent of the balance of the property held, it will take more than a year to prove up all the claims and release the property. It is important, however, that speedy action be taken authorizing the release of a great number of smaller claims, in order to relieve the claimants, who are suffering from starvation in Germany and Austria. If you want to hold enough of the larger claims to guarantee the payment of

American claims against Germany, all right. I do not think you can justify that on ethical grounds, but if by doing that you can hasten the enactment of law for the release of the great mass of smaller claims, well and good. But some action should be taken soon.

Though the holding of the larger claims may be unethical and unjustifiable, it is not nearly as bad as a lot of the things which have been done by the custodian in the past. For instance, he sold the Bosch Magneto for a sum infinitely less than its real value; and the sale of 4,000 valuable chemical patents for a mere nominal price is, to my mind, a reflection upon our country's war record. If I had the salvarsan rights in the United States, I would think I had a property worth millions of dollars, and yet I am advised that the custodian put the salvarsan patent up, with some 4,000 other patents, and sold them for \$260 each. Think of selling the salvarsan patent for \$260 and holding that pitiful sum and refusing to turn it over to its owner!

Mr. DENISON. \$260,000?

Mr. NEWTON of Missouri. No. Salvarsan brought only \$260 in with a lot of other patents. They were all put up and sold together for a total sum of \$260,000. Now, of course we can not justify that. I think it is a good deal more justifiable to hold the larger claims, though ethically I do not think you can justify holding any of them. Those people are starving over there—people who did not have anything to do with the war—and their property should be released at once.

I have received a lot of sympathetic appeals from the other side. I think I ought to call your attention to a few of them, because they illustrate points that you ought to take care of in the bill. For instance, there is a woman who used to live in Cincinnati, who taught school there for 45 years. She was born in Germany, but became an American citizen.

The CHAIRMAN. In Cincinnati or in Germany? Where did she teach?

Mr. NEWTON of Missouri. In Cincinnati. Some years ago the city of Cincinnati established an annuity for aged and superannuated teachers. After this woman taught for 45 years she broke down in health. She went to Germany to be treated and was caught in the war. The custodian, as the law requires, is today collecting that \$100 per month from the city of Cincinnati, while the old woman, now past 80 years of age, after 45 years of service in the public schools of our country, is starving in Germany.

Mr. NEWTON of Minnesota. Had she changed her residence?

Mr. NEWTON of Missouri. No; she went to the American consul to keep up her citizenship and complied with the law in that regard.

Mr. NEWTON of Minnesota. Then why is she not an American citizen, entitled to the money, and why is any legislation needed to get that property back for her?

Mr. NEWTON of Missouri. Because the State Department declared that she was expatriated after the war came on and she did not get home. Now, I think there ought to be something done to release those annuities, and the custodian is still collecting many of them. The custodian ought not to be required to collect incomes after the war is over, and yet under the law he must do it.

Here is another illustration that I think you ought to take care of. After I introduced a bill for the release of German and Austrian property about a year and a half ago I got a letter from an old woman in Berlin. She said: "Here I am, an old woman, dying of hunger in a garret in Berlin, while the great United States holds my money. And I am no German." Then she told me that her father at one time was the largest shipowner in Cuba; that she was educated, with her sister, in a convent in New York and that her brothers were educated in a Jesuit school in New York. One of the girls became ill and the mother took them to Germany. The father died suddenly and the two girls later married German boys. The husband of the one who wrote me had been dead 20 years. She took her Cuban citizenship back, and under the law she is entitled to her property.

Realizing the pathetic condition that the old woman was in, I sent over to the custodian and got blanks and sent them to her and arranged for somebody to act for her with power of attorney over here, and I did this to try to help her get her property, because she had a right to it and was in want. After about four weeks I got a reply from her saying that she had tried diligently but could not raise the money to get the affidavits. Then she itemized the expense of such affidavits. The American consul wanted \$5, American money; the counsellor had to have \$5; somebody else so much, and the total was \$18.50, which at that time was 9,500 German marks and now about 100,000 German marks; and she could not raise the money, and she told me that the only thing that had kept her

alive was the fact that some kind people were permitting her to eat one meal a day at their table. There should be speedy relief and some provision made for those people.

I haven't any doubt but what there are a lot of scalpers who have been going around over there who have been practically taking claims away from people because they were so hard up that they would take almost anything for them, because they are starving to death. There should be some provisions to protect these claimants.

Professor Baessman, of Lombard College, Galesburg, Ill., held the chair of literature and English. He had taken out his first papers but had not perfected his citizenship—had not had time. He had four or five thousand dollars invested over here. His father in Germany died in the spring of 1914 and he went over there in June, 1914, to help his mother straighten out her affairs. He was to come back in September to take charge of his work. The war broke out and he could not get back. He is over there now absolutely without money and he can not get any of his money in this country. Not only that, but I believe there are cases where the taxes on the property held are not paid. Have you any provision, Colonel Miller, for paying the taxes on these estates?

Mr. MILLER. We pay them as administrative expenses out of the funds that I have in the trust. If I have no fund in the trust and it is going to sacrifice the property, I either have to sell it or make other arrangements.

Mr. NEWTON, of Missouri. I feel that there ought to be some action taken as speedily as possible upon these claims. To show you how serious the situation is over there, I wrote the Secretary of State a few days ago and asked him what the real conditions were in Germany and Austria. I asked him if he had any authentic information from our consuls or ambassador as to what the conditions were. I told him that appeals were coming in to me from Americans, stating that the people in those countries were on the point of starvation. I want to read from his reply, dated 5th instant:

"MY DEAR MR. NEWTON: I beg to refer to your letter of December 23, 1922, requesting that this department supply you with authentic reports and other information bearing upon the distress reported to be prevailing in Germany and Austria. The inclosed memorandum has been prepared by this department and contains information on the subject with regard to Germany. I will shortly be in a position to give you corresponding data and information relating to the situation in Austria."

The letter is signed "Charles E. Hughes." I will read part of the memorandum:

"The following information and statistics have been submitted to the Department of State by official American representatives in Germany charged with the compilation of such material."

A report dated September 20, 1922, gives a quantitative estimate of grain crops in Germany as follows:

November, 1913: The crop for 1913 was 3,532,617 tons of winter wheat. In 1922 it had fallen to 1,637,157 tons.

In 1913 the summer-wheat yield was 510,467 tons. That fell down in 1922 to 268,566 tons. These reports are from our American consuls.

In 1913 winter spelt—that is a species of rye growing in southern Germany—yielded 487,787 tons, which fell in 1922 to 127,957 tons.

Rye, which is their staple for breadstuffs, had a yield in 1913 of 9,087,150 tons, which fell in 1922 to 5,285,231 tons.

The Secretary of State says that in a report from the consul dated November 23, 1922, the following statement is made:

"It is now thought that the grain supply on hand in Germany will last until February instead of January, 1923, as heretofore reported."

I had information to the effect that the Reparation Commission had stated that the grain supply would only last until January, and it would take 2,000,000 tons of grain to feed the people and keep them from starving during the winter. They had evidently made the same statement in a former report, but later information indicates that their bread supply will last until February.

"This is due to the importation of large quantities of grain from abroad."

Now he makes the statement that they have a good supply of potatoes. That is the only thing they have plenty of. That helps with the breadstuffs, but they can not live on potatoes.

The report further reads:

"The latest official figures available show that during the month of November the cost of living in Germany, covering food, fuel, light, and rent, increased by 102.2 per cent." On November 23 the consul reports that "because of the steadiness of the exchange rate during the last two weeks it is not ex-

pected that living expenses will show such a tremendous increase for December."

The CHAIRMAN. Mr. NEWTON, do you base that increase in the cost of living on the actual value or the depreciation in the value of money?

Mr. NEWTON of Missouri. It is due to the exchange rate. That is what he says—the exchange rate.

The CHAIRMAN. So the intrinsic value has not gone up 100 per cent?

Mr. NEWTON of Missouri. Well, here is exactly what he says:

"The latest official index figures available show that during the month of November the cost of living in Germany, covering food, fuel, light, and rent, increased 102.2 per cent."

That is his statement. Then follows: "Because of the steadiness of the exchange rate"—of course, they are going to have to import their food supplies, their breadstuffs, which are about to run out, and hence the exchange rate has to be taken into account—"Because of the steadiness in the exchange rate during the two weeks previous." They thought it would remain steady, but since that time I think it has gone down about 1,000 per cent.

Our American consul, on November 23, goes on to say:

"No doubt much distress prevails in Germany. The papers are full of appeals for aid for the poor and the people are urged to do everything possible to relieve the great suffering. The fuel situation remains unsatisfactory. Coal prices have had to be increased, which is due in no small measure to the fact that about 1,000,000 tons of coal have had to be imported from England each month, the exact figure for October being 918,598 tons. Fortunately for the poorer classes, the winter so far has been quite mild, making the use of coal for heating purposes practically unnecessary. Should colder weather set in, however, the suffering of the poor and middle classes would probably be very great, since the price of coal is practically beyond their reach."

Mr. GRAHAM. It would seem from that, Mr. NEWTON, that while the French are complaining that the Germans are not furnishing them all the coal they agreed to furnish, at the same time Germany is obliged to import coal in order to exist.

Mr. NEWTON of Missouri. That is our American consul reporting from over there that a million tons a month is being imported from England, and I have information from other sources that their importations of coal from England, even at the high exchange rates, have been practically equal each month to the amount that was taken from them into France and Belgium. Our American representative on the ground reported to the State Department that the exact amount for October was 918,000 tons.

Now, on the milk supply the consul reports:

"While imports of preserved milk were not permitted before the war, the trade has now been released from all restrictions, owing to the reduced supply of fresh milk. The last animal census shows a decline in German cattle from 18,570,000 in 1913 to 16,839,000 in December, 1921. There has been a marked decline in the condition of German cattle as well as in their number. In recent years it has been impossible to import anything like the great quantity of oil cake used before the war for the sustenance of German cattle."

On October 2 last the consul reported:

"Exact figures are not obtainable, but it is doubtful if the present supply of milk in Germany exceeds 60 per cent of what it was before the war."

I will now read the last paragraph of the report from the State Department, which is the most up to date and comes from our ambassador, Mr. Houghton:

"Under date of December 21, 1922, the American ambassador at Berlin telegraphed in part that the milk supply of Berlin is only one-half of its former quantity; that the bread consumption per capita is 104 units to-day as against 240 units in 1914; that in many parts of the city more than half of the children are tubercular and that a considerable proportion of the population there are wholly without fuel. The ambassador adds that he believes there will be great distress among the population before the middle of February, when the food supply will run short, and regards the possibilities as appalling."

Now it seems to me that with that condition prevailing over there, when we have a quantity of property far in excess of anything necessary for security, that we ought to release to the nationals as much as we can of that property, and I think we could easily release everything up to \$10,000 on all the claims, because that would release the greater number of them. As I remember, the average of the claims of less than \$10,000 was about \$700, and we are holding 30,000 of those claims. But think what \$700 will do in Germany; how many people it would feed through the winter; and it seems to me that four years

after the war is over, when we take into account the fact that those nationals came here in good faith, we should restore their property at once.

The CHAIRMAN. Mr. NEWTON, how much of that money due to the German nationals do you think would get over to Germany if the trusts were paid?

Mr. NEWTON of Missouri. Well, all the little claims will go, and a good part of the big ones.

The CHAIRMAN. Will you permit an interruption for a moment?

Colonel Miller, how much of the money which might be paid out under the provisions of this bill do you think would get over to Germany? I mean immediately.

Mr. MILLER. By an arrangement which I hope we will be able to make with the embassy or the legation it is our intent to have rules and regulations ready which will permit us to move with as much speed as we possibly can, and also at the same time to prevent its being necessary for small claimants that might come in under the provisions of this bill to have to go through individual lawyers and pay excessive fees, and that was the purpose of one of the sections in this bill.

The CHAIRMAN. You did not get my inquiry. How much of the money—say it is \$44,000,000—that might be paid out under the provisions of any bill—how much of that do you think would forthwith get over to Germany?

Mr. MILLER. I should think very easily half of it could before the year is out.

The CHAIRMAN. I do not mean in that way, but how much would naturally gravitate there and get back into the hands of the owner, and how much would be held by nationals who would still be in this country and would keep the money in this country?

Mr. MILLER. That is impossible to estimate, Mr. Chairman.

The CHAIRMAN. As an offhand guess, we will say, how much of that do you think will be paid to people who are going to get it and use it in Germany immediately for their own relief?

Mr. MILLER. I should say approximately half of it. If a claimant wanted to leave his mortgage over here and go ahead earning interest and live on the interest, of course the principal would stay here.

The CHAIRMAN. I was trying to meet the interesting point which Mr. NEWTON raised, that they were suffering there and that the release of this money would relieve that suffering; and the query is, How much of it would ever get there to accomplish that relief?

Mr. MILLER. One of the points that I have continually made is that this proposition would relieve a large part of the economic distress among a good part of the population.

The CHAIRMAN. But you have no very accurate estimate in mind as to the amount?

Mr. MILLER. I would not venture an opinion. When I say 50 per cent, that is a random guess which you have asked me to make.

Mr. NEWTON of Missouri. As a matter of fact, most of the smaller claimants live over there, do they not?

Mr. MILLER. Yes, sir.

Mr. NEWTON of Missouri. If you considered it on the number of claims instead of the amount of dollars, the percentage would be much higher, would it not?

Mr. MILLER. Very much so.

Mr. NEWTON of Missouri. It looks to me like a very, very high percentage of that 30,000 claims, which average \$700, would go to Germany.

It was reported that the large claimants did not want their money back, but representatives of some of the big steamship companies and other big industries came to me some time ago after I had introduced a bill and made a speech on alien property, and they found I was interested, and they said this report that they did not want their property back was all wrong; that they wanted it back, but that they wanted to continue to use it here, and I think the big bulk of it, the big blocks where it goes into millions, most of that will stay here. But I think that claims up to \$10,000 and probably beyond in some cases will go over to Germany.

The CHAIRMAN. One more interruption, if you please. Did you state just a moment ago, Mr. Miller, that you have made a tentative arrangement with the embassy here, the embassies and legations of these various countries to do the work, the agents for these various owners of the trusts?

Mr. MILLER. Yes, sir.

The CHAIRMAN. So that it will be more expeditiously done and without material cost to the owners?

Mr. MILLER. Yes, sir. And I also have in mind recommendations that I want to make to the President, if you pass this legislation, that will enable him to amend the presidential

regulations and permit us to deal directly with them, rather than going through the Department of Justice.

Mr. NEWTON of Missouri. Can not you make some provision whereby, where affidavits have to be made, as in the case of the old Cuban woman, that credit can be given to them out of their estates?

Mr. MILLER. I have that in mind, and I am also permitted to waive this consular fee that is rather excessive on small trusts.

Mr. NEWTON of Missouri. From the information that I have, I am confident that two-thirds of those people over there are not able to pay for the affidavits that are called for, if they must pay for them in American money.

Mr. MILLER. I am ready to act, sir, immediately after the 4th of March if you pass this legislation.

Mr. NEWTON of Missouri. And there ought to be some provision—for instance, in the case of this old Cuban woman, she has only \$2,000. It is in preferred stocks and bonds in the Frisco Railroad down in the Middle West. She invested her little savings in them, and yet it will be impossible for her, I presume, if she is still living, to raise that \$18.50 over there, and there ought to be some way so that our American consuls could take all of those affidavits, and whatever the expense is have it charged up against the estates here.

Mr. MILLER. Our arrangement, Mr. NEWTON, does not contemplate going through the American consulate. I do not want to discuss our details here, but it is the most specific plan we can make.

Mr. NEWTON of Missouri. But you are planning, as I understand it, to fix some way so that they can get their property without having to advance money before they get it?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Mr. NEWTON, am I right in thinking that the essence of your suggestion is that you approve this bill, generally speaking, as far as it goes, but you would commend to the committee's serious consideration the enlarging of its scope?

Mr. NEWTON of Missouri. Yes; but I think there should be some safeguards relative to that amendment in there about the patents. I think that legislation should not be put through that could be construed to mean that Congress was attempting to validate the claims of the Chemical Foundation to these patents. The Attorney General has filed suit to set aside those sales, and I think that this legislation should be so worded that it could not be in any way construed as indicating the view of Congress as to the title to the patents.

The CHAIRMAN. Would you go so far as to suggest that the question of patents be segregated and that the other adjustments be paid independent thereof?

Mr. NEWTON of Missouri. If you add there a provision declaring that this law shall not be construed as in any case affecting the litigation of pending suits heretofore filed by the Attorney General against the Chemical Foundation, and in the event that suit is decided in favor of the Government, that these patents should come under the provisions of this law, then I think your bill will be all right. Otherwise I can see how it might cause complications.

The CHAIRMAN. What about other patents not comprehended in the suit against the Chemical Foundation?

Mr. NEWTON of Missouri. I think the Government ought to treat them as trusts, and I think the patents should all be turned back.

The CHAIRMAN. Now, suppose it should appear to the committee that there were confusing conditions surrounding the patents so as to make it rather unwise to attempt to handle them just now, would you then favor the segregation of the patent proposition and go on with the rest of it?

Mr. NEWTON of Missouri. Yes. I would go ahead with the other and hold the patents, but I do think that the law should be so worded that there could be no doubt—so that no one could construe your act to mean that Congress is undertaking to validate that sale to the Chemical Foundation.

The CHAIRMAN. Now, would you feel that the provision that is in here now failed to comprehend the suggestion you have made?

Mr. NEWTON of Missouri. Yes. I have read that two or three times and I fear it would.

The CHAIRMAN. You think it will not apply?

Mr. NEWTON of Missouri. I fear that the specific exception of the patents without any reservation will be construed as indicating that Congress recognizes the validity of the sale to the Chemical Foundation, but if you added to that section a provision that patents may be held in abeyance until the litigation is settled, unless Congress otherwise directs, then, I think, the act will be sound.

The CHAIRMAN. I think that was the intention of the provision. You are the first person who has raised that point.

Mr. NEWTON of Missouri. I have read it over and I am afraid it will be misconstrued. I think the attorneys for the Chemical Foundation will contend that we specifically excluded the patents and thereby indicated that we recognized the validity of their title, and I think it ought to be clear enough so that there could not be any controversy about that point. With that correction I think the bill is good. I am certainly delighted that you are taking this matter up, and I think the conditions over there justify as speedy action as possible.

The CHAIRMAN. Are there any questions to ask the witness?

Mr. GRAHAM. Mr. NEWTON, the idea might be expressed by attaching to this section relative to patents language something like this: That nothing herein contained shall be construed as an expression of the final policy to be pursued in the matter of settling patents or patent rights.

Mr. NEWTON of Missouri. Well, I think you should add, "As in no way affecting the litigation."

Mr. GRAHAM. Yes; I agree with you.

Mr. HUDDLESTON. I would like to ask you one question, Mr. NEWTON. Would you not think a similar provision desirable as applicable to the property which is not returned to claimant, that the question should be expressly reserved and be an open question so that there will be no implications whatever?

Mr. NEWTON of Missouri. If you care to do it. To my mind the confiscation of this private property to pay for the depredations of the kaiser's government is unthinkable. There are a number of ways that you could handle it. You could leave it entirely alone for future action. In my judgment that is the best thing to do; leave it entirely alone.

Mr. HUDDLESTON. I will say this to you: There are two schools of thought even in the committee, one holding that to return part of this property and retain the other implies that the balance will be returned in due course when adjustment or something has happened, I do not know what; the other school holds that the return of part of the property with the retention of the balance affords a logical implication that the balance is retained for the purpose of being applied to these American claims, and I was wondering why it would not be desirable to simply preclude both of those implications by disaffirming them.

The CHAIRMAN. The Chair would like to ask you by what authority you assume to say that there are two schools in this committee?

Mr. HUDDLESTON. By the line of questions that have been asked and by private statements made to me, I may say. I do not think that anybody who has heard these hearings has any doubt that those implications diametrically opposed to each other are entertained by various members of the committee.

Mr. NEWTON of Missouri. I will say personally that after going into the provisions of the treaty and knowing something of the investments that came over here and the circumstances under which they came, that is, that they were induced to come by our American representatives, that the holding of any of that property longer is repulsive to me. The Secretary of State may have some reason which may be justifiable for holding a part of it, but he certainly has no right to hold any more than is adequate for security.

Mr. HUDDLESTON. Do you think it desirable to express in this bill that there will be no attempt of that kind?

Mr. NEWTON of Missouri. If you leave it silent in the bill, they can speculate on the future intent of Congress.

Mr. GRAHAM. As long as it is not stated in the bill what our policy is, any reason for withholding the present payment is a good one.

Mr. NEWTON of Missouri. You declare your policy now, and you don't know what the condition may be a year from now.

Mr. HUDDLESTON. May I say right on that point that it is argued because of the Knox-Porter resolution that there is already an implication that this property is to be retained for the payment of these claims and that a lien belongs to the claimants for their property, yet those things were made an express reservation.

Mr. NEWTON of Missouri. The trouble of it is, of course, they make their contentions and draw their conclusions as to the implication, but nobody can tell what the next Congress may do.

Mr. HAWES. I do not want to detain the committee or the witness. We have had before this committee, Mr. NEWTON, some very able lawyers who contend for a general principle what they call "the American principle," and some other very able lawyers who contend that this property should be held as se-

curity for American claims. Then there is another point of view suggested by Mr. HUDDLESTON of the release, say, of \$10,000 and 50 per cent more, and some of us believe that that would set a precedent or establish a principle for the release of all of the property, and others contend that it would do just the opposite. Now, may I take your valuable time and the time of the committee just for a minute in reading the latest work on international law, written by an American, which seems to state the traditional American policy on international law, chiefly as interpreted and applied by the United States. This is by Charles Chaney Hyde. In volume 2, page 233, I find this statement—I am suggesting it because it seems to come from a disinterested source, and the book was published in 1921:

"Upon the outbreak of hostilities a belligerent may find large amounts of enemy property within its territory and remote from the field of military operations. It seems to be acknowledged that the bare existence of war does not serve in such a case to effect any change of ownership. Confiscation, whether rightfully or wrongfully, requires affirmative legislative action. According to Chief Justice Marshall the terms of the Constitution of the United States forbid the inference that a declaration of war operates by its own force to transfer title to property within the national domain. A belligerent possesses the broadest right to prevent enemy property of any kind within its territory from being so employed as to afford a benefit to the foe. While this right of prevention does not imply one also of confiscation generally, the scope of the former is such as to render otherwise unimportant the manner in which it is exercised, so long as there be no unnecessary destruction or impairment of the value of the property concerned. The procedure adopted may be designed with reference to the nature and location of the owner; thus, in case he is an alien enemy residing within the national domain and permitted there to remain without molestation, subject to good behavior, the belligerent may defer the assertion of control over his possessions until, through abuse of his privilege, he compels the State to intern him and deal with his belongings as if he were a nonresident. Prior to such event the belligerent may be disposed to deter by other means the enemy from gaining any benefit from what he owns and is permitted to retain. Where, however, the owner is the enemy itself and the property public property, or where in case of private ownership the owner is an enemy person outside the national domain and a resident of either hostile or neutral territory the belligerent may reasonably assert direct and exclusive control over the property."

That seems to indicate a distinction between the control of property of aliens residing in our country which we exercise—or, in other words, which we did not exercise—we gave them full liberty and property of the Government itself, and I find on page 237, discussing the policy of the United States, a very clear statement, which may be of interest to you:

"In the early days of the Republic a view found expression in the data of the Supreme Court of the United States, that the law of nations did not forbid the confiscation by a belligerent of enemy private property on land within the national domain. Even then there was evidence of a tendency of practice on the part of enlightened States to refrain from such conduct, for while the growth of such a practice was perceived its possible legal significance was not at first clearly understood. Somewhat later, however, it became apparent to Chief Justice Marshall that the usage of nations afforded the test of the private national conduct, and that such usage might destroy the existence of an old belligerent right. On that ground he did not hesitate to denounce as internationally illegal the act of a conqueror in confiscating private property."

That was, I believe, the Brown case. Then again on page 239 this law writer makes this statement:

"It is believed that on principle the right of confiscation should be denied a belligerent when the property is privately owned and not in fact connected with any military operation or employed for a hostile purpose, and provided seizure is not resisted. Under such circumstances the power of a belligerent to control or utilize it without interference should impose the duty, in case of appropriation, ultimately to compensate the owner."

That seems to be the undisputed American doctrine.

Mr. NEWTON of Missouri. That is the real American doctrine.

Mr. HAWES. That is the undisputed American doctrine.

Mr. NEWTON of Missouri. A custodian is a keeper of property; a trustee, whose duty it is to preserve, and to act for and on behalf of the owner thereof. He has no right to sell such property unless it be perishable, and such sale becomes necessary for the best interest of his trust. It is a source of painful regret to me that former custodians have not lived

up to this standard. They have sold valuable properties, not for the purpose of conserving the trusts for which they were responsible, but for the purpose of divesting the owner of his title thereto. But regardless of what has been done in the past, it is the duty of Congress now, by appropriate legislation, to require the custodian to discharge his trust by returning all available property to its rightful owner, and where the property has been sold, if the owner thereof is not satisfied with such sale, he should be permitted to institute a suit in our courts, and the courts should be given the power, either to set aside such sales or to determine upon proper evidence the reasonable value of such property. To do less, in my judgment, would be a breach of faith and a violation of our duty to the nationals who invested their money in our institutions.

Mr. MAPES. Assuming that this committee feels that this property ought to be turned back to the original owners as fully as it is possible to do, and also assuming that it feels that the Alien Property Custodian has held it as long as he ought to, bearing in mind the legislative situation and the fact that Congress adjourns on the 4th of March, what is your notion as a practical proposition the committee ought to do?

Mr. NEWTON of Missouri. I think the committee ought to bring out a bill authorizing the custodian to return all claims up to and including \$10,000 and at least 50 per cent of all remaining claims. The people in Germany and Austria are perishing from hunger and cold, and in my judgment to hold their property longer is utterly indefensible.

Mr. MAPES. Do you think the committee ought to bring out a bill recommending the return of all of it now? I am asking now as a practical matter.

Mr. NEWTON of Missouri. Unless the State Department can give some good reason why a part of this property should be held, I think it should be returned in its entirety at once. I have heard many intimations as to the attitude of the Secretary of State, although I have heard nothing definite as to his position. I think his judgment, in matters of this kind, should be respected as far as reasonable, but I think that as much of the property as possible should be returned, and returned at once.

Mr. MAPES. As practical men we have got to determine on not only what is theoretically proper, but we have got to map out some practical procedure, keeping in mind all the legislative situations. Would you recommend that the committee report out a bill requiring the Alien Property Custodian to turn back all of this property as soon as he could?

Mr. NEWTON of Missouri. No; not unless the Secretary of State approves. I think, however, the State Department should give this committee all the facts from which it draws its conclusions. If the department thinks it unwise to state the facts in an open hearing, let it advise the committee in executive session. I do not think that in a matter of this character that Congress should be expected to rely entirely upon the conclusions of the State Department. I repeat what I have said before: That to me the holding of any of this property is repulsive. I feel that it is in utter conflict with the high ideals of this country in dealing with matters of this kind. I think, however, that the interest of the German claimants may be best conserved and legislation more speedily enacted if a reasonable amount of the larger trusts are held as security for American claims. As a matter of fact, I do not think that American claimants need such securities. I think the \$200,000,000 worth of German ships is more than ample security for all our claims. Furthermore, after the mixed claims commission has allowed the just and valid claims, it will be easy enough to enforce the collection of such claims. Even if the German ships were released, all that this country would have to do would be to place an embargo on the importation of all German-made goods and I can assure you that the payment of all our claims would be forthcoming.

Mr. MAPES. Is it your personal view that we should hold a sufficient amount to secure the payment of American claims?

Mr. NEWTON of Missouri. If I were a member of the committee I do not think I would vote to totally ignore the request of the State Department. As I said awhile ago, it is repulsive to me to hold any of this property, but he may have some good reason for doing so, but certainly you ought to turn back as much as you can, after leaving any reasonable security. I think the holding of the property savors too much of the practice of holding a club to make them do what we want.

Mr. MAPES. Bearing in mind this further fact: Even assuming that the committee should take the position that you do, that it is repulsive to hold this property longer, and even assuming that no department of the Government asks the committee to hold any of it back; bearing in mind the fact,

as has been stated here before the committee, that prominent Members of Congress, either in one House or the other, are opposed to doing it; keeping in mind the fact that Congress adjourns on the 4th of March, what do you recommend?

Mr. NEWTON of Missouri. If the State Department did not request that part of it be held, I would turn every dollar of it back. I think that unless the State Department has some good reason for holding it we ought to discharge our trust.

Mr. MAPES. That is what you would do if you had your individual way about it?

Mr. NEWTON of Missouri. Yes.

Mr. MAPES. But for the purpose of my question—

Mr. NEWTON of Missouri (interposing). You mean whether or not a bill like that would pass? Is that what you have in mind?

Mr. MAPES. As a practical proposition, what would you recommend?

Mr. NEWTON of Missouri. I think any bill you bring into the House for the return of this property will pass. I think the danger is that the House might go too far, but I do not believe they will if you bring in a reasonable bill.

Mr. MAPES. It might pass the House, but would it pass the other side?

Mr. NEWTON of Missouri. I think it would pass the other body. I think the opposition will fade. I do not believe they can stand before the arguments in favor of the return of this property.

Mr. Chairman, we have in this country millions of people whose loyalty during the war could not be challenged. They bought Liberty bonds and thrift stamps to the limit of their ability; they gave their sons to fight upon the battle fields of France. Thousands of people of this class live in my district, and I know their loyalty and devotion to this country. Although they had relatives living upon the other side they never faltered when the call came. They were against the Kaiser and his military government, and when the President said, "We have no quarrel with the German people; we have no feeling toward them but one of sympathy and friendship; we are fighting for the freedom of all the peoples of the earth, including the people of Germany." When the President uttered these inspiring declarations the people of German ancestry in all parts of the country took him at his word. Thousands of their young men volunteered, and the casualty lists from the battle front bear unmistakable evidence of their loyalty.

And now that the war is over those people who were loyal, who fought against relatives without faltering, contributed of their substance to sustain the Government, and gave their sons to fight and die for our flag, can not understand why the Government which they fought to sustain should continue to hold the property belonging to helpless and starving relatives upon the other side, with whom our President declared we had no quarrel, but for whom we had a feeling of sympathy and friendship. They can not understand why, as American citizens, they should find it necessary to dig down into their own pockets and send money to the other side while their Government continues to hold property belonging to those same relatives. Something should be done at once. This property should be released. I believe that when the facts are presented Congress will act, and I trust that action may be taken speedily.

FUNERAL SERMON ON THE LATE REPRESENTATIVE MANN.

Mr. MADDEN. Mr. Speaker, I ask unanimous consent that the address delivered by the Reverend Doctor Freeman at the funeral services of Mr. Mann be incorporated, in 8-point type, in the memorial RECORD of last Sunday.

The SPEAKER. The gentleman from Illinois asks unanimous consent that the address of Reverend Doctor Freeman, delivered at the funeral services of Mr. Mann, be inserted in 8-point type in the RECORD of the memorial proceedings of last Sunday. Is there objection?

Mr. GARRETT of Tennessee. Mr. Speaker, is the gentleman asking for its insertion in the CONGRESSIONAL RECORD again?

The SPEAKER. No; simply asking that it be inserted in the memorial volume.

Mr. GARRETT of Tennessee. That was the sermon delivered here, was it not?

The SPEAKER. Yes.

Mr. GARRETT of Tennessee. My impression is that that will be done anyway. I think that when they come to make up that memorial volume they will take all the RECORD.

The SPEAKER. Is there objection?

There was no objection.

WAR DEPARTMENT APPROPRIATION BILL.

Mr. ANTHONY. Mr. Speaker, I ask unanimous consent that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of the bill (H. R.

13793) making appropriations for the military and nonmilitary activities of the War Department.

The SPEAKER. The gentleman from Kansas moves that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of the appropriation bill for the support of the Army.

Mr. ANTHONY. And, pending that, Mr. Speaker, I would like to ask the gentleman from Mississippi [Mr. Sisson] if I can agree with him on the time for general debate on the bill? About how much time will the gentleman require?

Mr. Sisson. I have discussed this matter with the gentleman from Kansas, and I think five hours will be sufficient, to be controlled equally on each side.

Mr. ANTHONY. Mr. Speaker, I ask unanimous consent that the general debate on the bill be limited to five hours, of which two hours and a half shall be controlled by the gentleman from Mississippi [Mr. Sisson] and two hours and a half by myself.

The SPEAKER. The gentleman from Kansas asks unanimous consent that the general debate on the bill be limited to five hours, half to be controlled by the gentleman from Mississippi and half to be controlled by himself. Is there objection? There was no objection.

The SPEAKER. The question is on agreeing to the motion of the gentleman from Kansas, that the House resolve itself into Committee of the Whole House on the state of the Union.

The motion was agreed to.

The SPEAKER. The gentleman from Connecticut [Mr. Tilton] will please take the chair.

Thereupon the House resolved itself into Committee of the Whole House on the state of the Union for the consideration of the War Department appropriation bill, with Mr. Tilton in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 13793, the War Department appropriation bill, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 13793) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1924, and for other purposes.

Mr. ANTHONY. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from Kansas asks unanimous consent that the first reading of the bill be dispensed with. Is there objection?

There was no objection.

The CHAIRMAN. The gentleman from Kansas is recognized.

Mr. ANTHONY. Mr. Chairman and gentlemen of the committee, this is the bill making the appropriations for the War Department. It carries a total of \$314,000,000 in round figures, of which \$248,000,000 is for the military activities—that is, for the support of the Army during the next fiscal year—and \$65,000,000 is for the nonmilitary activities of the War Department. The amount for the military activities, or the cost of our Army, is \$12,000,000 in round numbers less than for the current year. The amount for the nonmilitary activities is \$3,000,000 less than for the current year, making a total of \$16,000,000 less in the bill offered to the House here to-day than was carried in the current year's appropriation bill. In comparison with the figures submitted in the Budget the amount for military purposes is \$14,000,000 less than the Budget, and the amount for nonmilitary activities is \$8,000,000 more than the Budget, making a net reduction in the Budget estimate of over \$5,000,000.

The provisions in this bill will provide for an Army of substantially the same size as we have during the current year. We are providing for the pay of 125,000 enlisted men and 7,500 Philippine Scouts. We are appropriating sufficient money for the pay of 12,000 commissioned officers, the full number of officers now authorized by law. We are also providing for an increase in the National Guard to a maximum of 215,000 men during the next fiscal year. The guard now numbers over 160,000, will be 190,000 in size by July 1, and under the amount we are placing in this bill will grow to a maximum of 215,000 during the next fiscal year.

In this connection it is well for the House to know that the National Guard is no longer a secondary military force in this country. It has so increased in size and in efficiency in the last few years that it is no longer our second line of defense from a military standpoint, but the National Guard is now composed of trained men and organizations which will be able to take their place and efficiently perform any military duty to which soldiers may be assigned. They are first-line soldiers now, so that our active military strength has been increased in recent years substantially 100 per cent over what it was a few years

ago, taking into consideration this new efficiency of the National Guard.

In addition to this active military force we have 69,000 men in the Officers' Reserve Corps, all men of military experience and qualified to perform the duties of commissioned officers in the field, should an emergency present itself. We train quotas of these men each year. This year we trained about 5,000 of them, and under the provisions of this bill we authorize the training of approximately 10,000 or more of these reserve officers during the coming summer.

In addition to this splendid military asset of officers in our reserve corps, we provide in this bill for the carrying on of the Reserve Officers' Training Corps work in the schools and colleges of the country, and the funds appropriated in this bill will provide for 110,000 of these boys being trained in the schools and colleges and Reserve Officers' Training Corps summer training camps, an increase over the present year. From this source there went into the Reserve Officers' Corps during the current year over 2,600 graduates of these schools. We are providing increased funds for the carrying on of civilian military training. We trained 22,000 in civilian military camps during the past summer, and with the increased appropriations in this bill we shall be able to train from 30,000 to 33,000 in civilian camps during the next summer.

So we consider that the committee have made ample provision for all of our essential military activities. There are no great changes made in the present establishment. We have provided equitably and in some cases liberally for all the activities recommended to us by the Budget and the War Department.

Mr. McKENZIE. Will the gentleman yield?

Mr. ANTHONY. I yield to the gentleman.

Mr. McKENZIE. On the matter of the appropriation for training reserve officers in camps there seem to be a good many protests coming from the reserve officers over the country claiming that you have not made ample provision for that purpose. Will the gentleman kindly tell us just how he came to conclude that the amount named in the bill is the correct amount?

Mr. ANTHONY. We appropriate \$1,700,000 and some odd in this bill. The amount appropriated for the current year was \$1,000,000. In addition thereto they had the use of about \$300,000 from other items in the appropriation bill. This year the expense of training reserve officers is confined entirely to the appropriation of \$1,700,000.

During the current year they trained about 4,500 to 5,000 men, and on the estimate of the basis of cost given us at \$100 per man as the expense we estimate that they will be able to train in excess of 10,000 men with the money we provide in the bill. The War Department wanted to train 15,000 men. There are actually 69,000 reserve officers. The committee regarded it as unwise to undertake to train anywhere near the entire number. We made 100 per cent increase in the number to be trained. We thought that was a conservative way to approach the question.

Mr. FESS. Will the gentleman yield?

Mr. ANTHONY. I yield to the gentleman from Ohio.

Mr. FESS. I have had this matter up with the chairman of the committee before. I have a telegram here that is presumed to come from United States-wide interests on behalf of training asking for \$5,750,000 for this purpose and stating that anything less would be a very serious deprivation. Will the gentleman make a statement about that for the benefit of myself as well as for the benefit of the House?

Mr. ANTHONY. Yes; I will make a statement in reply to the gentleman's question. He is voicing the result of a nationwide propaganda for increased appropriations for this purpose. The great trouble that we had in the training camps for reserve officers during the current year was that, in my judgment, they were not all of them entirely efficient from a military standpoint. They were something new to the War Department. It was new work for them to take up, and they did not reach the maximum of efficiency. The only thing where they did reach 100 per cent was that in many of the lectures delivered by Army officers it was usual to wind up with an appeal to the reserve officers in attendance to go home and work for an increased appropriation for next year, and the gentleman is seeing the result of that propaganda.

Mr. DOWELL. Will the gentleman yield?

Mr. ANTHONY. I yield to the gentleman from Iowa.

Mr. DOWELL. Is it not desirable to have these officers trained for a short time each year at the small expense which the gentleman has indicated?

Mr. ANTHONY. It is very desirable; and the committee, as I say, have made provision for an increase in the number to be trained—100 per cent more than during the present year.

Mr. DOWELL. Yes; but the number trained last year was very small. Is it not desirable to have these officers who have already had this experience take this training each year at small expense, and will we not get a better Army for much less cost than we could otherwise get?

Mr. ANTHONY. I think we had better undertake this work in a modest way, and not increase it too greatly in amount from year to year beyond the capacity of the Army to assimilate the job. I will say to the gentleman that they will have their hands full in carrying out the increased appropriations for all of the training activities this year.

Mr. DOWELL. I notice the gentleman designated this as propaganda. Is it not a fact that these officers desire the training?

Mr. ANTHONY. Yes.

Mr. DOWELL. Is it not for the general good that they are asking it?

Mr. ANTHONY. There are 69,000 officers, and 17,000 only have asked for training in replying to the questionnaires of the current year, and we are providing for the training of 11,000.

Mr. DOWELL. Should not we train the whole number that are asking to be trained?

Mr. ANTHONY. I have tried to tell the gentleman that we are providing for training activities that will absorb much of the energies of the officers of the Regular Army this summer, and it would be unwise to try to train more than the Regular Army can take care of.

Mr. DOWELL. Why is the Regular Army then asking for the training of 15,000 men if they can not take care of that number?

Mr. STAFFORD. Will the gentleman from Kansas yield to me?

Mr. ANTHONY. Yes.

Mr. STAFFORD. Perhaps the gentleman from Kansas does not grasp the idea under which the gentleman from Iowa is laboring—that the department plans to train the officers every year. As the gentleman from Kansas well knows, it is not the plan of the War Department to train the same officers every year. It is the plan to give them a training about once in three years. We are providing in this bill a larger quota of those who have applied for training than the quota of one-third.

Mr. HULL. The gentleman is wrong about that; at this rate they would not all be trained in six years.

Mr. STAFFORD. Let me say to the gentleman, a member of the Military Affairs Committee, that it is the plan to call the men into training camps about once in every three years.

Mr. HULL. But you are not providing a fund for training them all in three years. You have 70,000 of them, and you only provide enough to train them all in 10 years.

Mr. STAFFORD. That may be so with reference to the 69,000 men on the rolls, but the hearings show that only 17,000 have expressed a willingness to have the training. This is optional with them; it is not mandatory, unless the department so orders, let me say to the Representative of the Rock Island Arsenal district. [Laughter.]

Mr. FESS. Will the gentleman yield?

Mr. ANTHONY. Yes.

Mr. FESS. On the question of propaganda, my telegram is signed by the secretary of the reserve officers of Ohio.

Mr. DOWELL. Will the gentleman yield again?

Mr. ANTHONY. Yes.

Mr. DOWELL. These officers want the training, and it seems to me we ought to give them the training that they ask for. It is my position that we ought to increase this amount and that we ought to train more officers. The gentleman from Wisconsin is mistaken when he says that we can do it in three years.

Mr. ANTHONY. The gentleman from Iowa had about a thousand reserve officers at the camp in his town this year. Will he not be satisfied with 2,000 this next year?

Mr. DOWELL. That is not the point. [Laughter.]

Mr. HULL. Will the gentleman yield?

Mr. ANTHONY. Yes.

Mr. HULL. Am I not right in saying that at the rate you provide for the training in this bill you will not train the officers that are at present in the Reserve Officers' Corps in six years?

Mr. ANTHONY. That is, taking the maximum number; but as the gentleman from Wisconsin has informed the gentleman

from Iowa, there are only 17,000 out of the total number that asked for training this year, and we are giving an appropriation large enough to train about 11,000 this summer.

Mr. HULL. And you leave 60,000 without training, and there are 10,000 more at least that want training this year.

Mr. ANTHONY. There are 45,000 that have not asked for it. The War Department only trains those who ask for it.

Mr. HULL. Will an officer be of any value who is only trained two weeks once in six years?

Mr. ANTHONY. Well, when you come down to the training, I do not think that it is of any great value. I think it takes a longer period than two weeks to properly train an officer or a man, or even to refresh him.

Mr. MILLER. Will the gentleman yield?

Mr. ANTHONY. Yes.

Mr. MILLER. If I understand the gentleman correctly, we are giving an increased number for training this year?

Mr. ANTHONY. From 4,500 to 11,000.

Mr. MILLER. Has the appropriation been increased this year in proportion to the increase in the number trained?

Mr. ANTHONY. Not in proportion, perhaps; but sufficient to take care of the training, in our opinion. The figures given us by the War Department are that it cost about \$100 per man. Now, you can take the maximum that is outside of the mileage and the preparation of the camps. There is over \$1,000,000 available for this—\$1,200,000. Divide that by \$100 and you will get in excess of 10,000.

Mr. MILLER. In other words, it will not cost as much to train the officers this year as it did last year.

Mr. ANTHONY. I do not think it will cost as much, because they have many of the camps already prepared, and I am informed by the gentleman from Wisconsin that there is an unexpended balance of \$300,000 that will be carried over.

Mr. MILLER. And that will be available this year?

Mr. ANTHONY. Yes.

Mr. STAFFORD. Three hundred and eighty-one thousand dollars available November 30 unexpended that can be utilized for their training before June 30.

Mr. LITTLE. Will the gentleman yield?

Mr. ANTHONY. Yes.

Mr. LITTLE. These 10,000 officers are supposed to be already trained men?

Mr. ANTHONY. Yes; they are trained men. This simply brings them into camp, gives them a refresher course, and should bring them up to date.

Mr. SPEAKS. Will the gentleman yield?

Mr. ANTHONY. I will.

Mr. SPEAKS. There are 60,000 reserve officers, and it will cost \$100 per man to train them for two weeks, a modest expenditure of about \$6,000,000. The gentleman appreciates the fact, does he not, that within this 69,000—

Mr. ANTHONY. Oh, it costs much more than that.

Mr. SPEAKS. The gentleman appreciates the fact that among the 69,000 officers there is an abundant number capable of conducting camps entirely outside of the Army. Does the gentleman agree with that?

Mr. ANTHONY. No; I think you can find many reserve officers capable of conducting camps, but I do not think it would be advisable to conduct camps outside of the control and instruction of the Regular Army under any circumstances.

Mr. SPEAKS. With the 160,000 National Guard maintained at an expense of about \$25,000,000, and your 69,000 reserve officers, a large portion of which have served overseas and in the National Guard, have been continuously in the service for many years, and up and abreast with the Army, as the gentleman says in his report, is it not a useless procedure to continue the Army with an overhead expense of some \$200,000,000, aggregating only 125,000 men, when we have 160,000 men and 69,000 officers which we can continue at an expense of about \$31,000,000? Why not discontinue that whole system and at once put into operation the plan that was designed by our forefathers, and soon have an army of 500,000 men?

Mr. ANTHONY. The gentleman well knows that this surplus of very excellent military reserve material we have now as a result of the war will last us a few years—possibly 10 or 15 years—and that we would then have no more surplus of that kind, and we would have to depend on the Regular Army which trains its men from year to year and is the foundation of our military strength in this country. The overhead of our military machine in this country and our basis for organization has always been and always will be our Regular Army.

Mr. SPEAKS. Oh, no.

Mr. ANTHONY. Well, that is a matter of opinion. In regard to the civilian military training, as I stated before, we are appropriating \$2,000,000 for that purpose in this bill. We

find that about \$500,000 is carried over unexpended from the current year, which we are making available for use next year. That amount will be expended in the preparation of camp sites and preliminary expense, so that there will be 31,000 civilians trained during the coming summer under the provisions of the bill.

Just a word now in regard to the commissioned strength of the Army. Congress was severely censured by the military service, by the War Department, and by a good many of the larger newspapers and magazines of the country for what they claimed was a very radical reduction it made in the strength of the commissioned personnel of the Army last year. In our bill we did reduce the number from 12,800, which was the number in June of last year, to a maximum of 12,000. I stated on the floor of the House at that time that in my opinion under the provisions of that law the War Department would be required to reduce the number of officers by not over 600 in order to bring it down to the 12,000, taking into consideration the loss from ordinary causes. What are the facts?

The facts are that in addition to the number of officers which we required should be eliminated, the War Department of its own volition has reduced the commissioned strength by over 600 below the maximum required by Congress. As a matter of fact, under the provisions of our bill, taking into account the natural losses of the commissioned personnel, it would be necessary in order to have carried out the provisions of our bill to have removed only about 375 officers. Yet, under the provisions of the law, they have taken out a total of 990 officers, and they have separated from the service by other means, largely by the use of the laws in regard to retirement, an additional number of 505 officers. So that about 1,400 officers in all have been separated from the service, and you have now 11,380 commissioned officers in the Army. The excuse given for this reduction below the number authorized by Congress is that they desire to make room for second lieutenants in the service. We tried to make a number of second lieutenants in the Army last year by providing for demotion, and we did largely fill up the grade of second lieutenant thereby, but I call the attention of the House to these figures to show you that the War Department evidently found that the reduction proposed by Congress was a very wise and a good thing, and they have gone 600 beyond the figure which we set for them in the legislation passed by the House to show how well they thought of it.

Mr. McKENZIE. Mr. Chairman, will the gentleman yield?

Mr. ANTHONY. Yes.

Mr. McKENZIE. However, is it not just to say, in behalf of the War Department, that in carrying out the scheme, if we are to have only 12,000 officers in the Army and make it possible for the graduates from West Point coming in this year and coming in next year, and the young men that graduate from our technical schools who want to go into the Army as second lieutenants, that there should be some leeway or at least a place at the bottom to take care of them, and, therefore, for that reason they possibly went further in dismissing from the service than they would otherwise, owing to the fact that they wanted the flow coming in from the bottom?

Mr. ANTHONY. But the gentleman realizes, however, that for three or four years the War Department allowed the Army to exist with practically no second lieutenants, and they have gradually awakened to the fact that they need a few of them, but is it not a rather expensive policy to provide second lieutenants by putting 277 officers, largely in the higher ranks, on the retired list at three-quarters pay?

Mr. McKENZIE. I agree with the gentleman, but that situation was brought about by the action of Congress in reducing the number of commissioned officers.

Mr. ANTHONY. Oh, no. The gentleman is entirely in error. Without making any more vacancies in the service, there was room left for the graduates from West Point under the provisions of the legislation.

Mr. STAFFORD. And will the gentleman mention the usual number that enter from West Point—260?

Mr. ANTHONY. There was room for them.

Mr. STAFFORD. And yet there are three or four hundred more vacancies for which there is no possible source of supply. The gentleman from Illinois [Mr. McKENZIE] speaks of providing for the graduations two years from now. He fails to take into account the number that will be retired because of age, which is about 250 every year.

Mr. ANTHONY. I am very glad to have called the attention of the House to what I consider the real military strength that this country now possesses in time of peace, in view of the very serious statements made to the contrary which have ap-

peared in otherwise very truthful and reputable newspapers and magazines in this country.

It is a surprising thing to me that in newspapers like the New York Times, the New York Tribune, the Kansas City Star, and like a magazine published by the New York Times called "Current History" they will publish articles severely criticizing the Congress for reducing the number of commissioned officers "1,400," as all of these newspaper articles and magazines state, severely censuring the Congress for such action, when the total reduction in commissioned strength compelled under the legislation we enacted last year was approximately 500, and the reductions in addition thereto which have been made, wise or unwise as the case may be, have been made entirely by the War Department of its own volition. But it seems to be a popular sport to put upon the Congress the criticism or blame for conditions by these great newspapers which I feel are entirely unwarranted.

Mr. McSWAIN. Will the gentleman yield?

Mr. ANTHONY. I will yield.

Mr. McSWAIN. I will say to the gentleman I have noticed that disposition, and I wondered if the gentleman will not agree with me in attributing the tendency to the fact that those who are interested in maintaining a large officer personnel in the Army are the ones who write up these articles, having a special personal interest in it, and offer them to the magazines and newspapers, and the magazines and newspapers have only these personal views and ex parte statements furnished them, whereas, on the other hand, there is nobody having a special personal interest in circulating propaganda in the interest of "Old Man People."

Mr. ANTHONY. That is true. And I would say to the gentleman this article in Current History, to which I have just called attention, was written by an officer by the name of Myer who was one of those discharged under the provisions of the act of Congress. [Laughter.]

Mr. BLANTON. Will the gentleman yield for a question?

Mr. ANTHONY. I will.

Mr. BLANTON. In regard to the appropriations for the improvement of waterways and harbors, I notice that the Chief of Engineers recommended an appropriation of \$56,000,000, which he deemed mandatory. The Budget cut that down to \$27,000,000, and the gentleman's committee has brought in beyond the Budget estimate, not the estimate by the Chief of Engineers but the difference of what apparently is a compromise of \$37,000,000.

Mr. ANTHONY. The gentleman from Texas has correctly stated those figures, and I intended to go into it when we reached that point in the bill. For the information of the gentleman and for the information of the House, I want to state that the subcommittee saw fit to increase the Budget estimate for rivers and harbors from \$27,000,000 to \$37,000,000, with the idea of making abundant and reasonable provision for river and harbor work in the country during the next fiscal year. Now, for the information of the House, I want to state, after a close examination of the state of appropriations for river and harbor work, we found there was going to be an excess of \$12,000,000 carried over from this year into next year unexpended. We found the maximum of the engineers' estimate was \$56,000,000 for the next fiscal year; that is, the engineer officers in the field were asked to give their estimate of what was required for next year in their different districts and reported that the maximum amount of money they would be able to expend on river and harbor work, providing they had 312 good working days next year, would be \$56,000,000, and the committee appropriated 80 per cent of that amount, together with the unexpended money, and we believe it will provide amply for continuing a safe and sane policy of river and harbor improvement.

Mr. BLANTON. For every emergency proposition?

Mr. ANTHONY. It will provide for the continuation of all necessary work on every proper river and harbor activity, in my judgment.

Mr. DENISON. Will the gentleman yield?

Mr. ANTHONY. I will.

Mr. DENISON. In that connection, did the gentleman inquire of the Army engineers whether they would expend what they have on hand below \$12,000,000 on river and harbor work?

Mr. ANTHONY. At the rate of expenditure now going on—and we are approaching the period of the year when they diminish instead of increase—we felt certain that there would be an excess of \$12,000,000 unexpended.

Mr. DENISON. Yes; and the policy of the engineers always have been and is now never to reduce their balance on hand below that figure of \$12,000,000, because of the possibility of an emergency; so even if they should have \$12,000,000 on hand at

the close of the year, they would not expend below that amount. They will stop the work before they expend it below that amount.

Mr. STAFFORD. If the gentleman will permit, the gentleman is in error in that particular. The hearings last year show that the policy of the War Department is to have from three to five million dollars on hand for emergency purposes, and this appropriation that the committee recommends provides for an emergency fund—

Mr. DENISON. No; the gentleman from Wisconsin, as usual, shows he is not informed on this subject. There is no Army engineer who will make the statement—

Mr. STAFFORD. That is a nice contribution by the gentleman, because General Taylor made the statement in the hearings of last year. I will have the gentleman eat his words as to that—

Mr. DENISON. I am perfectly willing.

Mr. STAFFORD. For I will get the hearings and prove that such testimony was given.

Mr. Sisson. [Applause.] Mr. Chairman, I expect this will be the last time I shall appear before the House of Representatives in the capacity of a minority Representative on any of the great appropriation bills of the House. I really would like to talk to the House at some length, but my physical condition is such that I do not feel equal to the task. I shall have but little to say about this bill, except to say that the bill taken as a whole meets with my approval. We made and won the fight on the bill last year. That was a real fight. There I, along with this same subcommittee, gained the ill will of big Army people and all the people who profited by vast military expenditures and gained the affection of the unselfish, patriotic Americans. The work done by the subcommittee and the full committee this year, I think, has made a very good bill for the country, and that is saying something when I even mildly praise an Army bill, because some people do not believe I would give anything for an Army. But they are mistaken, for I would be fair with the Army, but this bill contains a great deal more than that.

We have only discussed here the military features of this bill. I hope when the rivers and harbors items are reached that certain time will be allowed so that Members of the House may have an opportunity to discuss that portion of the bill and fully express their views on that subject. I feel sure that that can be done. The time for debate to-day has seemed to some to be somewhat long in a way, but when you think it is the last regular appropriation bill upon which Members can get time you really marvel at the moderation of Members in asking for time.

But, my colleagues, I want especially to take advantage of this opportunity to express my very deep appreciation of the very keen friendship between myself and, so far as I know, every Member of the House of Representatives. [Applause.] I have been here for 14 years, and the sweetest service I have rendered has been the service within the last few months, because the most gratifying hours of a man's life are those in which he knows that his friends appreciate him.

During my service I have had a good many tilts with Members on the floor, especially with my Republican colleagues. I recollect very well a thing which Andrew Jackson is alleged to have said, after, as a young man, he issued his first challenge to fight a duel. A very much older lawyer than he had rasped him considerably and made young Andrew very mad. Andrew thought the elder lawyer had taken advantage of his youth in making fun of his knowledge of law, and that it was done to humiliate him, that being his first lawsuit. So Andrew very promptly challenged him to fight a duel, and they went out and took a shot at each other, but both missed. Before they were ready for the second shot their friends intervened and convinced them that they were acting the fool. Andrew shook hands with the old lawyer after the old man apologized by saying, "I never intended to wound your feelings." They had a good time on the way back, and Andrew Jackson said then, "I made up my mind and swore to myself that I would never challenge a man to fight a duel for anything that was said in the courtroom, in open court, or in any legislative proceeding, either of the State or Nation, because," he said, "when spoken in such a place it usually is not done to insult, and if it was, it will afterwards develop and then it can be attended to."

I have thought of it many times since I read it when I was a boy. I take it that that ought to be true not only with men in the courtroom but in the House of Representatives. A controversy arises, and men who are strong, their minds virile, say many things on the spur of the moment in the heat of debate which a moment afterwards they wish they had not said. But I do not know but that sometimes even sharp conflicts

between strong and fair minds make better friends of us than if we had never had occasion to differ and take each other's measure.

But I want to say that as to the men with whom I have been associated here, in my judgment they have been as honest, as scrupulously honest, as any set of men it has ever been my good pleasure to associate with. I have been associated with but two men here, neither one of whom is now in Congress, of whom I have had the least suspicion as to their honesty and integrity. First and last I suppose I have been associated with more than a thousand men here. I do not believe that in the church, I do not believe that among physicians or among lawyers, you will find 435 men gathered together in one building and engaged in one undertaking where you will find as many honest, courageous, square, high-toned, elegant gentlemen as you will find in the House of Representatives. [Applause.] In saying that I am saying it when it will do me the least amount of good, inasmuch as I am going out. I tell you we have got to be of that sort, boys, because if we are not the people at home would destroy us; because, as it is now, the Congress of the United States is "the goat" for everything that is wrong. If anything goes wrong, they do not charge it up to the President, except very mildly, but they do charge it up to the Congress.

I think a great mistake is being made in the country; I do not believe that the people should lose confidence in the integrity of the House of Representatives or the legislative bodies of the Government. In other words, as long as the people have confidence in the Congress I think the Republic is very much safer. I think it makes for revolution, it makes for discontent, when the people throughout the country question the honesty and integrity of Members of Congress.

But let me tell you, gentlemen, that when a man goes through a party primary with severe opposition, and then goes through a general election, if they do not find out what he has done, then they have been negligent in that district. [Laughter.] You have heard the story of the gentleman who ran for sheriff, a very splendid man, who conducted his campaign hopefully for a week, and then came in and said to his friends, "I am going to get out of this race." "What is the matter?" they asked him. He answered, "They accuse me of stealing a mule." "You did not steal a mule, did you?" "Of course I did not." "Go ahead, then," they said. Thereupon he resumed his activities and ran on for about a week more, and then came back and said, "I am going to get out of this race right now." His friends asked him, "What is the matter?" His answer was, "They not only accuse me of stealing a mule but they are going to prove it on me right away if I do not get out." [Laughter.]

When they get to charging a candidate with every crime on earth a man is bound to be a pretty good one in order to come safely through many campaigns. So, after being in public life for quite a while, I have changed my entire mental attitude toward the membership of the House. They are not dishonest. They can not be bought.

A criticism, however, might be offered, which, I think, is a just one. But no man, I think, can truthfully charge the Members of this House with being dishonest. I believe that of the 435 Members of Congress there is hardly a one that would not smash your nose if you went and offered him a thousand dollars for his vote; and he ought to do it. I believe all the Members of this House are honest, but I tell you one thing: All the Members of the House are not as politically courageous as they ought to be. The trouble is we are afraid of the people back home. Here is another thing, and that is the weakness in us all; sometimes I do not know whether it is a weakness or not. Here are our friends, who have been so loyal and true to us. They have kept us in office, and when some issue comes up they are unanimous in wanting us to do something for them, and we are prone sometimes to yield to that influence. Gentlemen of the House, I believe that is the greatest weakness of the Members of Congress.

I used to wonder sometimes why it is that so many Members of Congress after their defeat like to stay in Washington. I believe I know now. When you go to college and mingle with your mates there for four years you say those ties are very, very close, and they are. They are made when our minds are impressionable, when we are young; the ties are close, but youth forgets quickly and takes on new friends; so I do not know of any association that is closer than the association here in this House. My friend JOE BYRNS and I came here 14 years ago. There has never been a relationship in my life or in his where the associations have been any closer or more intimate; and when you think that that has extended over a period of 14 years, when will he or I in our future lives ever associate with men so closely for so long a period again? Even

though I live to be threescore years and ten, I will not associate with any other men as intimately and as closely as I have associated with these gentlemen here. I think it was Champ Clark who called attention to the fact that within the last 14 years we have served each term of 24 months, about 22 months out of every 24, together here in Washington. That is to say, we have practically served the 14 years together. Some of these men were here when I came. Many of those who were here when I came have gone; but as I look over the House to-day I see the faces of many men who were here before I came or who came here with me. Some of them have been here many years. Now, it does not matter how long I may live or where I may be cast upon this earth's strand, there will never be men for whom I will feel closer friendship, there will never be men for whom I will have a higher regard or a deeper affection than for the men with whom I have served in Congress. [Applause.] And, so far as I know, I do not believe there is a Member of Congress who is not my friend. [Applause.]

I am going to make another confession. When I came here I was just as terrific a Democrat as I am now, but I am less of a terrific partisan than I was when I came here. I believe in the principles of Democracy as firmly as I did when I entered the door of the House for the first time, but I have found that men's friendship is not divided by that middle aisle; and thank God it is not. I do not know of a gentleman for whom I have a higher or a tenderer regard than I have for Uncle JOE CANNON, of Illinois. [Applause.] We all love him. I have been intimately associated with him on the committee. He is a great benediction to all of us. And may I say—it may be the last time I shall have the opportunity to pay this tribute to him—Uncle JOE CANNON is one of the few very great men whom I have ever known. [Applause.] He is a great man. When the history of the Speakerships of this House is written, Uncle JOE CANNON is going to stand out in bold relief as one of the Mount Pelions in the range of Speakers. In fact, it has been my good fortune to serve under two unique Speakers, Uncle JOE and the inimitable Champ Clark. I do not know of two men who were so much alike and yet so totally different as Champ Clark and Uncle JOE CANNON. They were both, as we might say, diamonds in the rough. Their rugged, honest souls caused them to be loved and respected, not only by their colleagues here but by the people of the Nation. When I mention Uncle JOE, I can not refrain from mentioning another great and much beloved man on the Democratic side of the aisle. He was born in the same State with Uncle JOE. Uncle JOE left; he remained in the State of their birth—that of North Carolina. I refer, of course, to most-beloved Member of the House, MAJ. CHARLES M. STEDMAN, the Confederate soldier, now a Member of the House. There is not a Member of the House on either side who does not love, admire, and respect him, nor is there one who would not with pleasure render him a service. [Applause.]

My friends, I said that the center aisle does not divide our friendship. It does not. Take the chairman of the Committee on Appropriations, Mr. MADDEN. I have differed with him greatly. He has made some speeches here that I wish he had not made; but I have associated with him not only since he has been chairman of the committee but in many ways before, and I want to say for him now—the history of it is going to be written some day—this new reform, this new régime, has put upon him an extraordinary burden; that he has more than made good.

Those of you who have not been in close touch with this committee are not altogether familiar with the difficulties he has encountered. In the first place, these subcommittees had to be reorganized along new lines, and he had to deal with strong men, and they are hard to please. The House was torn asunder with conflicting elements and conflicting forces. I want to say of Mr. MADDEN, the chairman of this committee, that in my judgment he has made a magnificent job of it and is entitled to the thanks not only of the House but of the country, I do not care whether you are Republican or Democrat. [Applause.] He has demonstrated his capacity to do big things and do them well.

Now, I should like to mention the names of all these boys I love so well, but I can not do it. I can not mention them all. I see them around me. If they should happen to come to my town, I would never forgive them if they did not come to see me. I see my friend PAIGE, of Massachusetts, who buys cotton down in my country. If he should come to my town and not come to see me I would never forgive him in the world. I would haunt him all the days of his life. In serving on these committees, in dealing with the affairs of this great country, we learn to know each other very well. If I had not been on

this Committee on Military Affairs, one of the choicest spirits in this House would not have come so completely into my soul. I could say good things about all these boys, but I want to tell you that I would never have known and been so intimately friendly with DAN ANTHONY as I am if I had not served on this committee. [Applause.] I hardly know exactly what term to use to tell you how good he is, but there is not enough shadow in DAN ANTHONY'S soul to hide one sinister thought. [Applause.] If DAN ANTHONY were a Democrat, I would vote for him for President. [Laughter and applause.]

Then there is my friend STAFFORD—bless his heart. STAFFORD has gone in and out. Going out of Congress is a new and strange experience to me, but it is not new to you, STAFFORD. [Laughter.] STAFFORD has the capacity of coming back. [Applause.] He has demonstrated that repeatedly. No man ever served on a committee who was more faithful or who labored more zealously or more earnestly than my friend STAFFORD. [Applause.] He is not afraid of work. He is not afraid of opposition. He is not afraid of defeat, because he has demonstrated that in the House repeatedly as well as back in his district. [Applause.] That is the kind of man it takes to make good.

Much as I would love to talk about all these other folks here, I have got to tell you something about JOE BYRNS, because JOE BYRNS is the only man I ever was jealous of in this House. He is the only man that stood between me and the chairmanship of the Committee on Appropriations if the Democrats had got the House. I want to tell you how JOE got that. Mississippi did not have a member of the Ways and Means Committee. Tennessee did. There are several of us who came in at the same time and went on the committee together. Cordell Hull was on the Ways and Means Committee, and he put JOE BYRNS ahead of me. That is what happened. They tell me it was decided by drawing straws. But JOE had Cordell to fix the straws. [Laughter.] If I had had a member of the committee, it might have been different. I want JOE BYRNS'S district to keep him in Congress until he is chairman of the Committee on Appropriations, because, Mr. MADDEN, I believe that JOE BYRNS will make a great chairman of that committee.

Mr. MADDEN. He certainly would.

Mr. Sisson. Because he has not only had training under a good many good Members, but I want to say that he has had a magnificent example in you, Mr. MADDEN. [Applause.]

Mr. MADDEN. I want to say to the gentleman that no one has a higher appreciation of his services or yours, and I think he would make not only a good chairman of the Appropriations Committee but a good President of the United States. [Applause.]

Mr. Sisson. Now, Mr. BYRNS, you see how you stand and how high I have had you promoted, and you must walk circumspectly, uprightly, and with dignity henceforth. [Laughter.] Gentlemen of the House, I am not going to weary you much longer. There are men, however, in the House I must mention. I have been here with them so long. I do not believe there is a man in the House who has more real good friends than has FINIS GARRETT, all of whom appreciate his honesty, integrity, and ability. [Applause.] I do not know just what to say about him, except to say that he is not only honest but he is courageous. He is willing, when his convictions stand in the way, to take his political life in his hands and follow his convictions. [Applause.] I think FINIS GARRETT is one man I know that has absolutely voted his convictions on every measure. [Applause.]

I must not close without referring to one of the most distinguished and able Members of the House, who is absent on account of illness but one who is always in the minds and hearts of all of the Members of the House, our distinguished Democratic leader, CLAUDE KITCHIN. [Applause.] We all rejoice that the news is so good, and we all hope in a few days to see his strong face again. The country needs his strong right arm in its defense against its enemies. In conclusion, permit me to say of the delegation from my own State that each Member is my friend, and I love them all. They are all a fine and able body of Democrats, each having close to his heart not only the interests of his State but that of the whole people. God bless my Mississippi colleagues. I love you all. [Applause.]

Gentlemen of the House, I hope you will pardon me for this expression of my regard for the House. So far as the financial end of the matter is concerned, I have no regret in leaving. I do, however, have great regret in severing the ties of friendship that now exist between myself and this body of magnificent and good men, the closest in the world. Those of you who feel

this sincere friendship and who have served here 14 years, when the time comes to sever these relations it is going to be hard. That is why men love to hang around Washington after defeat, because they do not like to leave these Halls and leave the Members they love so well. So, my brethren, I want to take advantage of this opportunity to say that I love every one of you, because you are worthy of being loved. I respect every one of you, because you are worthy of respect, and I hope that the standard of the House of Representatives will always be as high as it is now; that whatever may be the mistakes made the country is not going to suffer as long as it has men of this type and men of this character looking after the interests of the Government of the United States here in this House. You have the Ark of the Covenant of our liberties—the Constitution. Keep it safe. Guard it with your lives. When you do, our American liberty will always be safe. I thank you, my friends, for your attention, and again beg pardon for taking up so much of your time. [Applause. Members rising.]

Mr. ANTHONY. Mr. Chairman, I yield 10 minutes to the lady from Illinois [Mrs. HUCK].

UNIVERSAL PEACE AMONG THE NATIONS OF THE WORLD.

Mrs. HUCK. Mr. Chairman, representing as I do a State which is also represented by 26 Congressmen of unusual ability, I feel that it is my privilege to bring here and present as nearly as possible the woman's point of view in regard to legislation. If what I have to say seems to be too conservative in some parts and in other parts a bit radical, I will ask you to be tolerant of my ideas until you understand them not as conservatism or as radicalism, but as something approaching as near as possible the woman's point of view, a point of view that gradually is becoming as important a factor in our Government as the viewpoint of the farmer or the banker. And when I have put my ideas before you I hope you will compliment them with the same scrutiny and unbiased consideration that you give to the views of any Member.

I do not mean by this to put women in a class as distinct from others. We are fully aware of our oneness with the people as a whole—in fact, I believe that it is through our understanding of this oneness with all classes that it will be the women who will bring with dignity the much-needed harmony between men and most especially between their governments.

Women often take different mental routes from men, but arrive at their legislative conclusion a large majority of the times. There is one difference, however, that must be considered—we, as women, differ with men as to what we believe to be the more important issues before our country—and as we have often come to the man's conclusion in regard to what he believes to be the important issues, so I believe there are many men who will look upon the woman's conclusions in regard to her interests as fair and logical.

We are irrevocably opposed to war and never intend to rest until universal peace is forever established among the nations of the world. We are anxious for a more general equality between men and women; that marriage shall not take away the woman's right to choose her own citizenship; that married women shall not be discriminated against in the economic world; and that the mother shall have in all States an equal right with the father in the care, custody, and control of the child. It is the woman who is doing the best work in connection with the child-labor amendment and other welfare work. We want a universal marriage and divorce law of the right sort. We want more dignity and refinement in our local governments. This last, however, is more a matter of education than legislation, but it is the woman's desire. These are important to the women, and although we recognize the importance and the absolute necessity of appropriation and tariff bills we feel that these other issues are equally important and should not be put off year after year.

I will not go further into these subjects at this time, for it is my desire to speak more especially of but one phase of the woman's interest—that is, world peace. World harmony is a subject of such magnitude that I shall not even attempt to enumerate the many angles from which this most important goal must be approached. I am here to speak of but one of these angles—not that I believe this to be the most important angle from which to approach universal peace, or that an approach from this angle will insure world peace, but because to me it is the most logical preliminary step to take.

At the beginning of the nineteenth century there were only two Republics in the world—the United States and Switzerland. They represented less than 2 per cent of the people in the world and occupied about 2 per cent of the land. Their system of governmental activities was so beneficent and heartening to

the subjects of the monarchical form of government that the spread of democracy has been astonishing and is recognized as the greatest of all events in history tending toward human betterment and the amelioration of the condition of the people.

To-day, after the lapse of less than a century and a quarter, 80 per cent of the people of the world—if we consider the British Empire as a democracy, which it is in fact but not in theory—are self-governing. Even China, "the sleeping child of the Orient," quite recently threw off the yoke of the empire and now belongs to the sisterhood of Republics. It is altogether evident that in a country where the people control their government there is no opportunity for a war to originate. To support this statement it is only necessary to refer to the fact that there is no instance since the formation of our Republic where a republic has provoked a war or coveted the lands of another people.

The centralization of power in the hands of one man, or a small group of men, has been the proximate cause of many, perhaps all, of the wars of recent history. This is well illustrated by the fact that if Germany had been a republic instead of under the autocratic rule of the kaiser there would have been no World War, and the white race now would not be stricken morally, mentally, and financially in a way that it will take a century for normal conditions again to prevail.

All people agree that wars result in useless waste of life and treasure, and that the killing of men and the destruction of property is bound to be visited by Divine displeasure. Therefore I have introduced a resolution authorizing and directing the President to inform nations of the world that the United States will delegate to its people the sole and exclusive control over war with any nation or nations which delegates a like power to its people.

It may not be amiss in passing to remark that if such an agreement had been in existence between France and Germany both the German and French people would have voted against war.

I think it is safe to say that the majority of the people, especially among the self-governing countries, believe that the most vital of all things to them is the question of war, and that this should be decided by them and by them alone, but many are reluctant for the United States to take such an unprecedented step and thereby perhaps put itself at a great disadvantage in the time of a crisis, unless other nations agree to suffer a like disadvantage. This objection is met in the resolution; it is not to be effective except with nations that adopt the same policy.

I have carefully provided against a vote in any nation by an extremely limited electorate by allowing that nation, I think, very fairly, to select the election laws of any State in the Union fixing the qualifications of the electors and the manner of conducting the election.

The provision requiring the certification of the vote within 60 days is to prevent any willful delay on the part of any nation in announcing the result, and the prohibition against any hostile act within a year after an affirmative vote is for the purpose of giving the nations which believe that they have suffered some wrong from another a "cooling time" as provided in many of our treaties with foreign countries, and further for the purpose of preventing preparations for war during the time the election is being held. There is very little, if any, difference between a war between two nations and a street fight between two men; in both instances the parties lose their heads and a war or fight results. If time were allowed for them to cool off, it is likely the fight or war would not occur. At least, in my estimation, a provision of this kind is worthy of a place in any resolution which has world peace as its goal.

War between this country and another republic is impossible at this stage of our civilization, and in drafting this resolution I seriously had considered the advisability of emphasizing that point by notifying only the monarchies of this offer and concentrating our efforts in their direction; but because republics by virtue of their governmental experience will be quicker to understand and take advantage of such an offer and because the concurrence of any great nation with us in this matter will encourage other nations to take the step, I have included all nations with a population great enough to warrant a constitutional change on our part in order to live up to our agreement with them.

If time would permit, I would bring out the facts which substantiate my belief that now is the psychological time to press this matter of a war referendum, and that we, in view of our financial and moral position, are the psychological leaders in this movement for world betterment.

If it is my honor to be returned to Washington this spring to represent the second congressional district of Illinois, I will

take up this resolution in the next Congress, and continue my fight for this war referendum from the floor of this House. [Applause.]

Mr. ANTHONY. Mr. Chairman, it is my understanding the gentleman from Mississippi will use some of his time.

Mr. QUIN. Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina [Mr. POU].

Mr. POU. Mr. Chairman, the Members of this House are accustomed to receive so many knocks that it gives me pleasure to say that in a service of 22 years I have not known a more faithful Member of this body than the gentleman from Mississippi [Mr. Sisson], who will not be a Member of the next Congress. He has been so faithful and so industrious that I think it can be said without undue praise that his retirement from this body is a national loss. [Applause.]

Now, Mr. Chairman, I arose to submit some remarks about a matter that has been discussed on a former occasion on this floor.

The presence of the British mission in this country at this time is assurance that Great Britain intends to pay the \$4,200,000,000 and interest which Great Britain owes to the United States for money advanced during the great World War. The history of Great Britain proves that she is jealous of her reputation in respect to the payment of her obligations. The people of this Nation may now feel reasonably sure that this great debt of the British people to America will in course of time be paid in full. For my part, I would favor giving to the British people very liberal terms with one condition—that no part of the principal of the debt be canceled. I would favor giving to the American commissioners now engaged in negotiations with the British commissioners power to distribute the debt over a long period of years and to agree to a very low rate of interest. I would go as far as I reasonably could to satisfy the conditions of the British commissioners, reserving always the condition that no part of the debt should be canceled. Under this arrangement the people of America and the people of the world would feel reasonably sure that the British debt had been adjusted; that in course of time America would get every dollar of the money advanced to Great Britain during the World War.

I rose to-day for the purpose of making a suggestion to the majority side of this Chamber. You profess great love for the ex-service men. On Armistice Day you deliver patriotic speeches, praise the ex-service men to the skies, shed tears over the misfortunes of the wounded, and deliver eulogies over the dead. It seems to me the arrangement which is now in process of consummation removes the only obstacle which President Harding suggested to the payment of adjusted compensation to the World War veterans. President Harding declared himself in favor, in principle, of the adjusted compensation bill, but declared that the insuperable obstacle in the way of the measure was the failure of Congress to provide means for raising the money. With more than four billions of British bonds, every one of them worth eventually par, this obstacle ought to be considered removed.

The bonds would probably bring a fair price upon the market even if not indorsed by America. Certainly they would bring 100 cents on the dollar if America should indorse the more than four billions of bonds or any part of the four billions. It may be difficult to work out, but I confess I can not see where the difficulty lies in an arrangement whereby America would indorse enough of the British bonds to provide for the payment of adjusted compensation to the World War veterans. I have had my doubts at times whether some on the majority side of this Chamber were really enthusiastic about this question. Perhaps I have had the wrong impression. If I have had the wrong impression, there are others, many of them, who feel just as I do. However this may be, the presence of the British commissioners here and the determination of Great Britain to pay this debt gives to the Republican Party, now in control, opportunity to prove your faith by your works. You can remove the discrimination in respect to the treatment of our World War veterans as compared to the treatment that the World War veterans of other nations have received since the armistice was agreed to. Great Britain has done more for her World War veterans than we have done; Canada has given to every World War veteran approximately \$600; New Zealand, Australia, have done more than we have. Even France has done what we have not done. Italy in her poverty has dealt more generously with her ex-service men. I wonder if we, the richest nation of all, are willing that this situation shall continue. Other nations have perhaps taken part of the very money we loaned them to satisfy their ex-service men. America alone of all the nations associated against the Central Powers

has done nothing for her ex-service men. Of course, I do not refer to the wounded. During the last Congress each of the Members of this body received a letter from one of our colleagues which told a tragic tale. We received a circular letter from one of our colleagues from the State of New York in which he declared that the necessities of the ex-service men for the coming winter were so great they would be glad, many of them, to receive our cast-off clothing.

I think he represented an organization known as the "Lest We Forget" organization. This colleague of ours invited us, in fact he urged us, to send all of our cast-off clothing to a certain address in this city, assuring us there were many ex-service men—men who saved the civilization of the world—who would be glad to wear our old clothes.

In the newspapers of yesterday I read an account of the arrest of an ex-service man who had received many decorations who, in his dire necessity, had taken an old secondhand overcoat. Of course, he was discharged, as he should have been, after he explained the circumstances in which he found himself placed. More than that, this man to whom I refer was one of the many shell-shock victims. Now, gentlemen of the majority side, I am perfectly serious. I would scorn to play politics about a question which is near to my heart and which I consider most sacred. I stand here ready to help you pass the measure I have suggested before the 4th of March next. I would not introduce such a measure myself, because I know it would stand no chance of becoming a law. I would not wish to see any Democrat introduce such a measure. I do suggest that my young Republican friend from South Dakota, ROYAL JOHNSON, who walked out of this Chamber to enlist as a private, and returned as a captain, wounded almost to the death, as well as other ex-service men on both sides of this Chamber, take charge of this matter and press it to final passage before the gavel falls on the 4th of March. I am a member of the Rules Committee. I promise you my vote as a member of that committee. I think I am safe in saying that every Democratic member of the Rules Committee feels about this matter just as I do. I will go further and say that I believe almost the solid minority on the Democratic side of the Chamber would enthusiastically support such a measure even if introduced by a Republican. You may have the glory, if that is what you are striving for, but let us not permit the 4th of March to come without removing this discrimination under which the American ex-service men live. Let us quit talking about how much we love them and how ready we are to shed tears while their Representatives on this floor are willing to beg for old clothing in order to keep warm during the rigors of the winter the young men who saved the civilization of the world from destruction.

Mr. ANTHONY. Mr. Chairman, I yield 15 minutes to the gentleman from Iowa [Mr. HULL].

Mr. HULL. Mr. Chairman, this bill—the Army appropriations—together with the naval bill, appropriates over \$600,000,000 for national defense. Of this amount over \$100,000,000 will undoubtedly be paid to private industries engaged in the manufacture of munitions of war. In other words, we are appropriating in these two national defense bills over \$100,000,000 that will go to foster industries that promote war.

I appreciate the fact that it is impractical to cut out all military expenditures, or perhaps even to reduce them to any great extent. But certainly it is the duty of Congress to examine these estimates of expenditure with the most scrupulous care and endeavor to effect savings which will in no way impair real preparedness or curtail the effectiveness of our Military Establishment. To evidence that money paid to private industries is worse than wasted, permit me to quote a commission reporting to the League of Nations:

Six objections to the untrammelled private manufacture of the means of waging war were listed in a commission report to the League of Nations, September 15, 1921. They are weighty. Think about them.

1. That armament firms have been active in fomenting war scares and in persuading their own countries to adopt warlike policies and to increase their armaments.

2. That armament firms have attempted to bribe Government officials, both at home and abroad.

3. That armament firms have disseminated false reports concerning the military and naval programs of various countries, in order to stimulate armament expenditure.

4. That armament firms have sought to influence public opinion through the control of newspapers in their own and foreign countries.

5. That armament firms have organized international armament rings through which the armament race has been accentuated by playing off one country against another.

6. That armament firms have organized international armament trusts which have increased the price of armaments sold to governments.

The avarice of private industries engaged in the manufacture of war munitions does not permit a willing relinquishment of the huge profits derived from such manufacture. If one was permitted to prepare this country in a scientific, in-

dustrial way, I am sure that it could be better prepared with an expenditure of \$300,000,000 than it will be with the expenditure of \$600,000,000, as provided for in these two bills. As long as private industries are permitted to dictate the policies of the Ordnance departments of the Army and Navy there will be no real preparedness. It is four years since the close of the World War, and it is time the people of this country applied the lessons of that war. One great lesson taught the American people at that time was that subsidized private industries were not prepared to furnish supplies to the Army and the Navy. The money we gave them was worse than wasted. They led us to believe that we were prepared, but when the time came we had practically nothing to fight the war with. We had given the Ordnance Department untold millions; they had the greatest facilities in the world, and they had taken our money and given it to private industries. Private industries had nothing on hand. We fought the war with borrowed material and paid billions of dollars for materials that were never used. Scientific industrial preparedness consists in having everything used in warfare made and perfected in small quantities, sufficient to demonstrate usefulness. After perfection the tools, jigs, and dies necessary to produce the article in large quantities should be made and kept constantly available. Plans for their allocation throughout the country should be ready always, so as to permit immediate quantity production should the need arise. With a system like this it would not be necessary to be constantly buying large quantities of articles that become obsolete within a very short time.

Mr. WILLIAMSON. Mr. Chairman, will the gentleman yield?

Mr. HULL. Yes.

Mr. WILLIAMSON. Has this country at the present time machinery and equipment with which to manufacture its own munitions?

Mr. HULL. It certainly has at the present time, publicly owned. There is not any question about it, and it has had for the last 20 years facilities to make everything we need in war, and make them better and cheaper than we can get them otherwise.

Mr. WILLIAMSON. And how much of a saving does the gentleman think we would make annually if we manufactured our own munitions?

Mr. HULL. I estimate that if you would adopt a scientific, efficient system of manufacturing not only the munitions of war but also all the supplies that the Government needs, you would have at least \$100,000,000 every year; but that is not the most important part of the program. The important thing that I have in mind is that if you would adopt this kind of system you would be ready for war, and that is something that you are not when you adopt the idea of subsidizing private industries. You are never ready.

Mr. McKENZIE. Mr. Chairman, will the gentleman yield?

Mr. HULL. Yes.

Mr. McKENZIE. I have not paid as close attention to what the gentleman has said as perhaps I should, and I do not know whether he has mentioned the subject or not; but it is true, however, that Congress for a number of years made appropriations suggested by the gentleman from Connecticut [Mr. TILSON] to enable the Ordnance Department to secure jigs, dies, and master gauges, to be placed in the hands of the independent, private manufacturers, so that in case of war they could immediately begin to produce. Is it not a fact that up until the time of the war they had not spent any of that money, and it is not the private manufacturers' fault in that respect? That was due to the negligence of the Ordnance Department up to that time. Is not that true?

Mr. HULL. The gentleman is absolutely right. They were depending, however, on private industries to furnish these jigs and tools, and when the time came they found they did not have anything on hand. There is the entire trouble. We gave them \$5,000,000 to manufacture rifles, and they have two of the greatest factories in the world manufacturing the best rifles in the world, one at Springfield, Mass., and the other at Rock Island, and they took that money and bought pistols with it, and our boys fought with an inferior rifle.

Mr. McKENZIE. Mr. Chairman, will the gentleman yield?

Mr. HULL. Yes.

Mr. McKENZIE. Is it not a fact that, according to the testimony before the Committee on Military Affairs, we do now have the jigs, the dies, and master gauges stored away, held for a future time, to be handed over to private manufacturers in case of necessity?

Mr. HULL. In some cases that is true, but in other cases it is not true. It is not the fault of Congress, because Congress has time after time indicated what it wanted done with the

money given to the Ordnance Department. It is due to the administration of the law by the Ordnance Department, both of the Army and of the Navy, and the Army is more guilty than the Navy.

Mr. GARNER. Mr. Chairman, will the gentleman yield?

Mr. HULL. Yes.

Mr. GARNER. Do I understand that the gentleman from Iowa [Mr. HULL], as well as the gentleman from Illinois [Mr. McKENZIE], are in perfect accord, that the War Department has been guilty of neglect?

Mr. McKENZIE. I do not know that I get the gentleman's question.

Mr. GARNER. I understood the gentleman from Illinois a moment ago to ask the gentleman from Iowa if it was not the fault of the Ordnance Department and if it had not been negligent. I merely ask the gentlemen if they are both in accord that the War Department has been negligent?

Mr. McKENZIE. I will state to the gentleman that for the past two years the War Department has been very active in looking after these things, but that prior to that time there was some neglect.

Mr. GARNER. I thought the gentleman would want to modify his statement. I know that when the balance of the House contend that the War Department does not function as it should, the gentleman from Illinois is the first one to rush in here to the defense of the action of the War Department, and I did not think that he would want the record to indicate that he had charged the War Department with being guilty of neglect.

Mr. HULL. I do not know that I can answer for the gentleman from Illinois, but I myself have voiced the idea that the Ordnance Department of the Army has failed, utterly failed for the last 10 or 15 years, to prepare this country for war. Congress was not to blame.

We gave them the money. We told them how to do it as plainly as we could. It was the administration of the law by the Ordnance Department that was at fault.

Mr. WILLIAMSON. Will the gentleman yield?

Mr. HULL. I will.

Mr. WILLIAMSON. Do I understand the gentleman to say that he is in favor of having the Government furnish the necessary jigs, dies, and other tools to private individuals and still rely upon them to furnish munitions in time of need?

Mr. HULL. No; not peace times, but to make them so that they can go out and commandeer private industry in war time and produce them within 30 days. It is easily worked out if they will go to work at the present time or in peace time. There is no use in trying to stop profiteering in war time when you can not stop it in peace time, and in these two bills you are not trying to stop it. Why, I had a provision in the Army bill—and I would like to have the attention of the chairman of the committee—for the last five years, a provision directing the Army, the Ordnance Department, the Quartermaster Department, that when they wanted an article and they could manufacture it cheaper than they could buy it that they should manufacture it, but I find in this bill you have stricken out that provision. I do not know why. Perhaps the chairman could tell us. Is there any reason why that provision was left out of the bill?

Mr. ANTHONY. The committee thought they had a very good reason for leaving it out. They thought the necessity for it had passed at this time.

Mr. HULL. But you left in another part of the bill a provision by which the Ordnance Department can go out and pay 25 per cent more than it cost to manufacture an article.

I feel it is high time to endeavor to check this menace of future wars. Last session I introduced a bill, H. R. 10967, which would go far toward doing so, besides saving the taxpayers of this country at least \$100,000,000 a year, while also improving our general preparedness. This measure is designed to improve the efficiency of our arsenals and navy yards.

It is not generally recognized what an important and admirable series of manufacturing plants the Government possesses in its 13 naval and 11 Army establishments. The people's investment in these industrial facilities is conservatively estimated at \$350,000,000. They are equipped with the most modern type of a great variety of machinery and tools, such as are contained in the best manufacturing plants which aim to turn out a large list of products. Their routine work for Army and Navy requirements covers many lines of basic manufacture, such as steel production, foundry operation, machine production, wood-products manufacture, clothing production, paint and varnish production, and so forth. The articles which these plants turn out include not merely the ordinary munitions of war, such as guns, ammunition, explosives, and battle-

ships, but hundreds of items useful as well in civilian and peaceful pursuits, such as ships and boats of all kinds, engines, locomotives, autotrucks, lighthouse equipment, electrical equipment, chemicals, optical instruments, clothing, and so forth. Their systems of work embody the highest practice of engineering standards. Their personnel consists of at least 40,000 mechanics, many of them among the most highly skilled in the country, all American citizens, all competitively chosen and employed under the civil-service regulations.

It is unfortunate that we must still be in a condition to meet the sudden menace of war; but, admitting this necessity, every citizen has a right to be proud of the extent and the high industrial character of the Government plants maintained as the basis of preparedness. That pride would be without a regret or a flaw if plants of this character could be used to manufacture not instruments of destruction but articles contributing solely to the national peace and prosperity.

The world-wide desire for disarmament has already made progress, and we all hope that it will make much more progress in the future and that it may eventually render establishments to manufacture implements of warfare entirely unnecessary. Unfortunately, however, that ultimate goal still seems a long way from realization. We have started to scrap ships; we have reduced active forces; we are not building at an accelerated rate. All this achievement is to be commended. But we have not yet reached the stage where it is safe to scrap the means for making ships and munitions of war. That stage will be the last one on the long road to final disarmament. We must keep our plants; we must maintain our arsenals and navy yards in such a condition that in an emergency they may turn full production into military requirements. The plants, the equipment, the trained personnel must be maintained simply as a measure of military insurance, whether they are busy or whether they are idle. There is no serious proposal at present to do away with them, or even to make any great reduction in their capacity.

We have then a situation in which a vast and well-equipped plant capacity must be maintained, though for the time being there is little or no demand for the product which it was constructed to produce. The overhead involved in maintenance goes on just the same, and is paid by the taxpayers, even if a large part of the capacity is idle. It costs the taxpayers several million dollars a year to maintain these establishments, even if not a wheel turns in one of them.

Where can we find the orders with which to keep the arsenals and navy yards busy? Not in the channels of private trade. But there are many supplies currently needed by the various Government departments and agencies, including the War and Navy Departments themselves, which could be made in these governmental establishments, but are now bought from private contractors. This placing of private orders goes on while the Government plants are operating at a very much reduced pace. Now, if anyone should argue that a business man ought to allow an expensive plant to remain idle, without making efforts to keep it busy, it would be absurd enough. But if in addition the plea should be made that while doing this he should send orders to outside contractors for products which his idle plant could make, the answer is that only a madman would do so. Yet that is the kind of business man Uncle Sam now seems to be. So ridiculous is a policy of this sort that it is necessary to examine the situation more in detail to see if the Government of the United States really can be guilty of this folly without some good reason that does not appear on the surface.

A very careful and full engineering survey by O. S. Beyer, Jr., a competent consulting engineer, has been made of the capacities of the Government plants and of the civilian requirements of the Government departments which might be manufactured there. It is noteworthy that this survey has not been controverted in any important point by the opponents of the bill. It establishes the fact of the adequacy of the equipment of arsenals and navy yards to manufacture a very wide range of supplies ordered by Government departments.

Besides additional material for the War and Navy Departments themselves, the orders of other governmental agencies which might be executed in arsenals and navy yards include a long list of articles, such as trucks, knives, shears, canceling machines, carriers' satchels, letter boxes, letter-box posts, and so forth, for the Post Office Department; air compressors, automobiles, boats, cars, carts, concrete mixers, excavators, graders, locomotives, motor cycles, plows, pumps, derricks, dredges, electric motors, engines, scrapers, wagons, and so forth, for the Interior Department; lightships, paint, and so forth, for the Department of Commerce; instruments, chemicals, firefighting supplies, road-building equipment, motor trucks, and

so forth, for the Department of Agriculture; coin machinery, dies, tools, steel safes, revenue cutters, and so forth, for the Treasury Department; ship repair and reconditioning work for the Shipping Board; a wide variety of miscellaneous supplies for the District of Columbia; hospital and other supplies for the Veterans' Bureau; equipment for the Government Printing Office; equipment and supplies for various special projects, such as canals, irrigation and reclamation projects. The estimated expenditure for 1923 on such products is \$300,000,000. This total includes only those items which the arsenals and navy yards are well equipped to produce, and still leaves a vast sum for outside purchases.

Now, with 40,000 employees the arsenals and navy yards turned out in 1921 about \$112,000,000 worth of orders. They had 102,000 employees in 1918, at the peak of production, or two and a half times as many as in 1921. Therefore, they could turn out at 1921 prices and with a full complement of men about twice and a half as much as they did turn out in 1921, or about \$275,000,000 worth of work. Their actual production in 1919 amounted to about \$210,000,000. There is therefore no doubt that the plants have the capacity to handle the greater part of the work enumerated above.

All this time there has been, I have no doubt, a question in the minds of my hearers on the cost of these products if made in Government plants compared with the cost in private plants. It is the habit of those with a stake in private ownership and operation to charge that governmental operation is wasteful and expensive. Even though the Government saved on overhead by keeping its plants busy, might it not lose through higher cost of production?

Let me silence this question at once by saying that it is not proposed in this bill to give any work to Government plants which could be done cheaper outside. The bill provides merely for competitive estimates, the job to be awarded to the Government if its estimate be the lowest. Surely there could be no better recognized or more businesslike practice than this.

An investigation of the plants themselves and of the work already secured by them through competitive bids shows that interested propaganda is mistaken in this case at least if it charges that governmental manufacture is less efficient and more costly than private manufacture. A survey of waste in industry, conducted by a committee of the Federated Engineering Societies, under the chairmanship of Secretary Hoover, made an evaluation of efficiency in private metal plants and found them on the basis of the standard set up 71.5 per cent efficient. Exactly the same standard was applied to the arsenals in the survey conducted by Mr. Beyer and they were found to rank as 81.3 per cent efficient. The navy yards were 84.8 per cent efficient. Thus, according to engineering standards, the Government plants are superior to private plants.

The proof of the efficiency is in the cost. The total prices on arsenal jobs of which competing private bids are known for the two years ended in May, 1921, was \$407,097.05. The nearest competing prices submitted for the same jobs by private plants was \$540,390.05. Thus a saving of \$133,293 was effected on these jobs by governmental production, a saving of about one-third. Surely this evidence is substantial enough to convince anyone.

The actual costs were in many cases considerably below even the estimates given by the Government plants. A record of orders received through the arsenal orders section during the first eight months of its career shows that in 12 jobs the estimate exceeded the cost and that in only two the cost exceeded the estimate, the net saving under the estimate on these jobs being a very large percentage of the total charges made. Thus, even if the Government plants had been in business for profit, they would have made a substantial profit on the low estimates which they submitted in competition with private bidders.

So obvious are the savings to be made by awarding Government work to Government plants through competition that the former Director of the Bureau of the Budget, Charles G. Dawes, ordered on November 9, 1921, that the War Department should be given an opportunity to bid on all supplies needed by other departments. (Circular No. 46.)

The case is so plain and the order of Director Dawes is so explicit that the question naturally arises why any legislation is needed, especially since the arsenal orders section was created with the express purpose of building up this type of production. Congress itself has recognized the principle of doing as much Government work as possible in Government plants by clauses in appropriation bills. This bill introduces no new principle, no startling innovation. It merely aims to further a well-founded and authorized policy by removing certain obstructions, which seem trifling in the law, but which offer considerable resistance in practice.

There is, in the first place, the inertia and conservatism of bureaucratic officials, a characteristic with which Congress is only too familiar. The passage of this bill will be in great measure and educative process, an unmistakable expression of the will of the people, which will help to wear down such purely obstructive measures as prevented the arsenal orders section from realizing its full opportunities. Such measures are exemplified by the statement of the Chief of Ordnance in his annual report that "estimates are submitted on such articles as can be economically produced with available equipment, which is not altered or rearranged in any way which would interfere with its immediate use for military purposes." The possibility for "immediate" use in military manufacture is one that doubtless appeals to the trained Army bureaucrat, but it is carrying technical preparedness a bit too far. After all, we shall not find ourselves in a situation where the arsenals must be turned into full military production without more than a 24-hour warning. Even if we should, it would be a far greater handicap to find our efficient working force dissipated through lack of work than to have a few machines in a condition requiring a few days' or even weeks' rearrangement in order to produce munitions.

Another obstacle is directly traceable to lack of legislation. In our system of making appropriations we make no provision for meeting first costs necessary to enable arsenals and navy yards to enter upon new lines of manufacture. These first costs are not large in most instances; they consist of jigs, tools, and so forth; but if charged up to the first lot of goods manufactured, they might raise the estimate to a prohibitive figure, even though more than a compensating saving might be made on future orders. There is some doubt as well whether the department placing the order would have the legal right to devote any part of its appropriation to meeting this initial investment.

The arsenals and navy yards themselves can not build up any fund under existing law to meet such contingencies, for if they make a profit on any given job it must be immediately covered into the Treasury Department. The lack of what would correspond to a profit and loss fund in a private establishment also raises other difficulties. The Government plants can not make "firm bids," because if the work should cost more than the estimate they would have no reserve with which to meet the loss. They can not secure options on materials necessary for manufacturing goods on bids which have not yet been awarded and thus take advantage of the primary markets.

Another difficulty is the frequent limitation of appropriations to the end of the fiscal year, which forces work out of Government plants when it is only partly finished because the availability of the appropriation ceases in the middle of the job.

It will be seen and admitted by any fair-minded person that these difficulties, obstructive as they are, have to do only with minor technical matters and that their removal could only be in the interest of efficiency. No opposition to their removal could possibly be as weighty as the arguments for the main policy, which their removal would facilitate.

The bill provides, first, that all military supplies and equipment shall be manufactured in Government plants, at least in time of peace. This at one blow removes the dangers of a hand-fed private munitions lobby. The bill provides, second, that the Government plants must submit estimates on all supplies needed by Government agencies which they are fitted to make, and that wherever the Government estimate is the lowest the Government shall receive the award. This assurance of competitive bids among the Government establishments as well as between the Government on one side and private contractors on the other is pure common sense.

The third section of the bill provides that Government plants may retain any profit they may make through producing less than the estimate, such funds to be applied to meeting possible losses on firm bids, or in any of the various ways shown as necessary above. The fourth section of the bill creates an estimating bureau to coordinate and push the work. The last section of this bill provides that appropriations applied to the purchase of goods made in Government plants shall remain available until the job is finished, as they do in the case of orders placed with private plants.

I do not see how there can be any sincere or valid objection to any of the above clauses of the bill.

Section 5 of the bill makes a provision which in my opinion is equally desirable, though it is somewhat more difficult to understand. This provides that overhead charges necessary for maintaining Government plants in a condition of military preparedness, and not arising from the work done on specific Government orders, shall not be charged against those

orders. The soundness of this provision is established as follows: The overhead incidental to military preparedness must be borne by the taxpayer, whether the plants are idle or not. If, as a result of charging this overhead to individual jobs done for civilian Government departments the estimates should be so high as to send work to private firms, the taxpayers would have to pay the private overhead and profit as well. There would be an extra burden on the taxpayers as a result. It is, therefore, to the interest of the taxpayers not to include this portion of the overhead in the estimates. It should be borne in mind, however, that the savings which, as I have shown, have been made on work actually done by arsenals and navy yards were charged on the existing basis of overhead, not with overhead reduced in accordance with this provision. This provision would render more savings to the taxpayers than before.

One important result of the bill I have touched upon only lightly. It was suggested by the organizations of labor representing the mechanics employed in Government plants for the sake of stabilizing their employment and keeping the forces together. This would not only be an advantage from the point of view of human standards, but an advantage from the point of view of efficiency. By enlisting the active good will and cooperation of this highly skilled and intelligent body of men, production costs could further be reduced, and the waste of labor turnover and the training of new men in times of increased production could be minimized. It is noteworthy, I think, that while almost all other classes and factions are making appeals in their own behalf which would put burdens on the National Treasury, labor makes an appeal which would save the taxpayers at least \$100,000,000 a year.

When the bill was first introduced, I could see opposition to this plan from only two groups: One is composed of those constitutionally unable to favor anything new; the other is composed of leeches who want no interference with their opportunity to suck juicy profits from Government extravagance. After postponement of the hearings for several months to allow the opponents of the bill to prepare their case, we have heard flimsy opposition from people who might rudely be classified as certain departmental bureaucrats, the attorney of the National Association of Manufacturers, and private contractors for the Government. Their objections fall into two mutually contradictory categories: First, that the bill is not necessary for carrying out the prescribed policy; second, that the prescribed policy is unwise.

The bureaucrats object that one department might benefit by savings effected on work for another department; that the authorities and prerogatives of certain Cabinet officials might be interfered with; that the Government plants might be diverted from their primary war-making purpose; that it is desirable to place "educational" orders with private firms. One wonders how much such orders might "educate" such firms to an expectation of large profits from making war supplies. Such trifling objections need no answer to men of plain sense.

The representative of the Association of Manufacturers does not furnish a valid answer to a single one of the major arguments advanced in behalf of the bill. His objection he characterized as "fundamental" in that the bill would place the Government in competition with its citizens, a policy which he said was contrary to our theory of government.

I doubt very much whether the majority of the conservative manufacturers of this country as taxpayers would oppose a measure which would save them \$100,000,000 a year on account of any such vague, theoretical consideration, if the issue were properly presented to them. No class is more eager for tax reductions than the manufacturers. None is more avid in seeking special favors from the Treasury. Yet in substance their attorney says that he wishes to keep artificial obstacles in the path of the efficiency of Government plants, and so not to allow them to compete for Government orders in a fair and open field, to compete with the comparatively few plants who would profit by governmental extravagance. I believe in prosecuting the profiteers of the recent war, but I think it would be a much surer and saner plan to stop profiteering in the peacetime needs of the War Department, and thereby better prepare our country and make profiteering in time of war only remotely possible. If we would stop war we should remove the great incentive for war.

Mr. Sisson. I yield five minutes to the gentleman from Louisiana [Mr. Lazaro].

Mr. Lazaro. Mr. Chairman, I find it strange indeed that so many who are liberal in the consideration of appropriations for railroads, on the ground that transportation is vital to the

development and business of the country, are always stingy when it comes to appropriating for good roads and waterways, which are two of the big links in transportation. For instance, when Government control of the railroads was legislated back to private control these men were liberal in making provision for their operation. A few days ago when a bill was reported to the House by the Appropriations Committee it was discovered that they had not even provided for the work on the roads that had been contracted for and was about finished in the different States of the Union. It was only after an aggressive fight that we succeeded in getting the necessary appropriation to aid the States in their good-road building program.

To-day we begin the consideration of the bill which carries an appropriation for waterways. And what do we find. We find that while the Appropriations Committee has gone a little above the estimate of the Director of the Budget—which, I suppose, is to chloroform us—they have gone much under the estimate of the Board of Engineers, whose main function is to study and improve navigation. Again, those of us who believe that transportation is vital to the country and that transportation means not only the building of railroads but good roads and waterways as well will have to make a fight for an increased appropriation for our waterways. Certainly anyone who has given any thought to the subject of transportation must understand that the producers of this country, and especially the farmers, can not continue to do business unless we have better facilities for shipping and marketing and lower freight rates. While we can do a great deal by legislation, it should be plain to anyone who studies this problem that permanent relief can only come from the improvement and use of good roads and waterways in connection with railroads. Providence has given us the most magnificent system of waterways in the world and we have done practically nothing to develop them.

Let me say to those who want to practice economy that there are two kinds of economy—true and false economy. Appropriating money without a policy for roads and waterways is false economy. Appropriating money for roads and waterways under a policy that looks to the completion of the work is true economy. The people of this country are always liberal in appropriating money for important projects, and what they are demanding of their representatives is that the money be spent in a businesslike way, so that in the end they will get value received for their money. In conclusion, I want to appeal to this House to consider our system of transportation in a comprehensive way and to adopt a policy that will mean the improvement of railways, good roads, and waterways. With the adoption of a policy of this kind the United States will finally have adequate transportation facilities and the products from our farms, forests, mines, and factories can move from the places of production to where they are manufactured and back to where they are consumed at reasonable rates.

Mr. Sisson. Mr. Chairman, I yield to the gentleman from Alabama [Mr. Jeffers].

Mr. Jeffers of Alabama. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record by inserting in 8-point type a statement from the American Committee of the Interallied Veterans' Federation, addressed to the President of the United States, protesting against the proposed release from prison of certain men who struck at our Nation in the hour of peril. This is a statement that each Member of the House should, I believe, have opportunity of reading.

The Chairman. The gentleman from Alabama asks unanimous consent to extend his remarks by inserting in the Record a certain statement in 8-point type, to which he has referred. Is there objection? [After a pause.] The Chair hears none.

The statement is as follows:

The following protest against release of so-called political prisoners was presented to President Harding to-day by H. Nelson Jackson, of Burlington, Vt., vice president of the Interallied Veterans' Federation, and R. E. Condon, of New York, member of the National Executive Committee of the American Legion and Executive Council of Interallied Veterans' Federation:

To the President of the United States.

MR. PRESIDENT: We, the American Committee of the Interallied Veterans' Federation, whose membership of 15,000,000, embracing the American Legion and the veterans of eight nations, wish to protest against that sentiment which calls for the release of so-called political prisoners.

We address ourselves to you, Mr. President, because you are the recipient of the pleas and protestations of those people who desire that our penitentiaries be freed of certain men who struck at our Nation in the hour of peril. They say that these men merely stood for the right of free speech and should not be punished for that. But Americans who have not forgotten the war, nor the crippled and the dead and the widows and orphans.

know that free speech is not the issue involved but the right of a free people to protect themselves against treacherous attacks from within. These attacks were an effort to undermine our established form of government, which all true and loyal Americans were unstintingly giving themselves and, if necessary, their all to defend. Such actions against our Government, whose existence has contributed so immeasurably to world peace, was a fundamental attack on all liberty-loving people.

The forces of international radicalism and anti-Americanism want these so-called political prisoners released. We who fought for true democracy and real freedom want them kept where they deserve to be—in prison.

H. NELSON JACKSON.
R. E. CONDON.

JANUARY 12, 1923.

MESSAGE FROM THE SENATE.

The committee informally rose, and the Speaker having resumed the chair, a message from the Senate, by Mr. Crockett, one of its clerks, announced that the Senate had passed bill of the following title, in which the concurrence of the House of Representatives was requested:

S. 4260. An act to extend the time for the construction of a bridge over the Columbia River, between the States of Oregon and Washington, at a point approximately 5 miles upstream from Dalles City, Wasco County, in the State of Oregon.

The message also announced that the Senate had concurred in the amendments of the House of Representatives to the joint resolution (S. J. Res. 251) providing for the filling of two vacancies that will occur on January 14, 1923, and March 1, 1923, respectively, in the Board of Regents of the Smithsonian Institution, of the class other than Members of Congress. The amendments were, on page 1, line 3, to strike out "two vacancies" and insert "vacancy"; on page 1, lines 7 and 8, to strike out "of John B. Henderson" and insert "that Frederick A. Delano"; on page 1, lines 8 and 9, to strike out "whose term will expire March 1, 1923," and insert "be appointed to succeed John B. Henderson, deceased"; and to amend the title so as to read "Joint resolution providing for the filling of two vacancies in the Board of Regents of the Smithsonian Institution, of the class other than Members of Congress."

The message also announced that the Senate had insisted upon its amendments to the bill (H. R. 13481) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1924, and for other purposes, disagreed to by the House of Representatives, had agreed to the conference asked by the House on the disagreeing votes of the two Houses thereon, and had appointed Mr. McNARY, Mr. JONES of Washington, Mr. LENROOT, Mr. SMITH, and Mr. OVERMAN as the conferees on the part of the Senate.

The message also announced that the Senate had passed the following resolution and the Vice President had appointed Mr. JONES of New Mexico, Mr. BURSUM, Mr. LODGE, Mr. UNDERWOOD, and Mr. CURTIS as the committee on the part of the Senate under the second resolution:

Senate Resolution 406.

Resolved, That the Senate has heard with profound sorrow the announcement of the death of the Hon. NESTOR MONTAÑA, late a Representative from the State of New Mexico.

Resolved, That a committee of six Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect the Senate do now adjourn.

The message also announced that the Senate had agreed to the amendments of the House of Representatives to bills of the following titles:

S. 4131. An act granting the consent of Congress to the city of Sioux City, Iowa, and to Union County, in the State of South Dakota, to construct, maintain, and operate a bridge and approaches thereto across the Big Sioux River at a point 2½ miles north of the mouth of said river, between section 14, township 89, range 48, Woodbury County, Iowa, and section 15, township 89, range 48, Union County, S. Dak.; and

S. 4133. An act granting the consent of Congress to the State of North Dakota and the State of Minnesota, the county of Pembina, N. Dak., and the county of Kittson, Minn., or any one of them, to construct a bridge across the Red River of the North at or near the city of Pembina, N. Dak.

WAR DEPARTMENT APPROPRIATION BILL.

The committee resumed its session.

Mr. ANTHONY. Mr. Chairman, I yield 15 minutes to the gentleman from Wisconsin [Mr. FREAR].

Mr. FREAR. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. The gentleman from Wisconsin asks unanimous consent to extend his remarks in the RECORD. Is there objection? [After a pause.] The Chair hears none.

Mr. FREAR. Mr. Chairman, I shall not expect to speak at any great length on the subject I would discuss, but shall extend in the RECORD in full what will be a fair explanation of my position on taxation of undivided profits and an answer to the National City Bank's January circular. At this time I desire to say that the remarks of the gentleman from Mississippi [Mr. Sisson] just offered finds a warm response in the hearts of all Members on both sides of the aisle. He is right when he says that this aisle does not separate friends, and he is right when he says that Members of this House are honest in their convictions. We all know that very large bodies of men and interests are formed for the purpose of putting legislation through Congress. They are not always fair with Congress or with Members individually. They strike hard sometimes. We sit here in an effort to do what is right, legislatively, as judges. In our committees we get the viewpoint of people on all sides who come before us and we ought to be well informed. I believe the average Member is disinterested and acts so far as he can for the public interest. I hold in my hand a little pamphlet gotten out by the largest bank in the country possibly, the National City Bank of New York, which contains a number of pages answering an argument recently made by me on the floor and using my name a dozen times, and also the names of Senators and others. I have no personal objection to the criticisms, because they are mildly expressed, but we are obliged in our efforts on the floor to answer statements if they are wrong, and I desire to present the answer briefly. The Government to-day owes \$23,000,000,000 and more. The Government to-day is at an expense of \$3,000,000,000 and more in carrying on its annual work. That money must be produced in some way. Congress adopted what we supposed was the best plan imaginable when we took the income-tax principle during the war and embodied it into law to meet these heavy expenditures. The Secretary of the Treasury now informs us that \$10,000,000,000 we supposed would be a source of profit for the Treasury in income taxes, are now wiped out through tax-free securities. Over \$2,000,000,000 in stock dividends have been just declared. That action takes that enormous amount of money away from personal income taxes, so the surtax, which had been depended upon by Congress to raise this money, has been lost to the Treasury.

I desire to discuss the National City Bank position, will be glad to do so, not only now but in the future, its policies, its profits of 25 per cent last year, and the angle it pursues generally in criticizing public men who here seek to do what they think is right for their constituents and for the public. I have no private interest. I have no prejudice against wealth. Organized wealth is entitled to its rights, and we all recognize that, but when men dodge taxes, as the Secretary of the Treasury so well says, by putting \$10,000,000,000 in tax-free securities, that loss has got to be met somewhere. How? The gentleman from North Carolina [Mr. POU] a few moments ago said that we ought to give to the soldiers their compensation and pay from English foreign debts to this country.

I have been in favor of that proposition from the outset, but I have suggested another means and a remedy, because I recognize the difficulties involved, and I know the opposition that will come from any effort to collect taxes that should be collected; I have embraced within the terms of the soldiers' compensation bill, recently introduced, a proposed retroactive tax on undistributed profits, a tax that is graduated, and also propose the reenactment of an excess-profits tax.

We have been told that the moment we put such a tax in force the industries of the country will lose the money that is necessary for their use.

Mr. Chairman, you may read in yesterday's papers a half page advertisement in practically all of them which asks the country to subscribe \$50,000,000, for what? For Cuba. It is signed by the National City Bank; by Kuhn, Loeb & Co.; and by J. P. Morgan & Co. to send \$50,000,000 to Cuba to be taken from our industries at 5½ per cent or 5.55. A tremendous amount of money to be invested abroad as well as in this country that our people are asked to subscribe with liberal commissions to the banks handling the deal. The gentleman from Iowa [Mr. GREEN], the man who will be chairman of the Ways and Means Committee next session, sits before me. We are trying to do what we can to aid Congress to reach a solution of this tax question. I am doing so in a very humble capacity, I am free to confess, but I believe there is a doubt in the mind of the average man that we should tax undistributed profits. That conviction is general, and that opinion is recorded by some of the ablest judges of the Supreme Court of the United States in their dissenting opinions on the stock-dividend case.

Every effort must be brought to bear on both sides of the aisle next session if we are to bring about curative tax legislation, because interests that are opposed will be just as strong in the future as they have been in the past. They will protest against every cure. They are looking for every weakness in the laws we pass—naturally so—and Congress, which is supposed to be unprejudiced—and I believe Members of Congress as a rule are unprejudiced—should bring every effort to bear to solve this tax problem next session.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes.

Mr. BLANTON. The people largely have to depend upon the Secretary of our Treasury Department for suggestions as to needed legislation to prevent tax dodging. As long as we have at the head of that institution a man who is as much interested as any other multimillionaire in tax dodging, how may we expect any relief along that line?

Mr. FREAR. I will say to the gentleman, if he has reference to my correspondence awhile ago about the 25 per cent penalties which have not been enforced, that I am seeking to reach that delinquent penalty in part by additional taxes on undistributed profits, so that neither the Secretary nor anyone else can have uncertainty as to the law; we propose to collect this tax if possible and to make it retroactive.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes; certainly, to the committee chairman.

Mr. GREEN of Iowa. I think my friend from Texas [Mr. BLANTON] is hardly fair. The Secretary of the Treasury has endorsed several propositions intended to prevent tax dodging, among which is the constitutional amendment to prevent the issue of tax-exempt securities and other measures that will be introduced later on.

Mr. GARNER. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes; I yield.

Mr. GARNER. What seems the strangest thing to me that has ever come up in my legislative life is that the very men who are dodging taxes, those referred to by the gentleman from Iowa throughout the country, including the Secretary of the Treasury, and also including the National City Bank and the Exchange National Bank of New York, and all the other rich men who are utilizing these securities that he speaks of, claim to be in favor of this action. I do not understand it. It is not in accordance with human nature.

Mr. FREAR. I yield to the gentleman from Iowa to answer, if he desires, why the proposal to abolish tax-free securities has the support of interests named.

Mr. GREEN of Iowa. I do not know why the gentleman from Texas makes that statement. The men to whom he refers have their money invested in active business enterprises which have to compete with these tax-exempt securities. That is one reason; and another reason is that almost everybody else throughout the country is in favor of that amendment to prevent the issuance of tax-exempt securities because it is founded on the natural law of right and justice.

Mr. GARNER. If these men, including Mr. Mellon, the Secretary of the Treasury, and these other financiers to whom the gentleman has referred, have not all got their money invested in tax-exempt securities, I would like to know who has their money. They all seem to be anxious to be relieved from this threat that they are saying now is made to keep them from being taxed. I say that is not in accordance with human nature.

Mr. FREAR. I will yield again to the gentleman from Iowa to answer that if he so desires.

Mr. GREEN of Iowa. The gentleman from Texas [Mr. GARNER] has seemed very desirous that this threat should not be carried into effect and that these securities should not be taxed, and a very able speech was made in favor of tax-exempt securities by the gentleman from Pennsylvania [Mr. GRAHAM]. While I would have hardly expected them to be in accord, I do not impugn the motives of either.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes; to the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. I believe that no unbiased citizen of the United States who has followed carefully the recent correspondence between the distinguished gentleman from Wisconsin [Mr. FREAR] and the Secretary of the Treasury can escape the conclusion that we can not expect any adequate relief from tax dodging in the way of recommendations from the Treasury Department.

Mr. FREAR. I thank the gentleman from Texas. I did not know that my efforts had met with such approval. They did

not from the Treasury Department, although I feel confident the penalties should have been imposed as a matter of law. I can understand the Treasury Department may find loopholes, if desired, in the law as it stands to-day. I believe, however, my bill, recently introduced, can collect that tax on undistributed profits, but it will require the joint action of both sides of the aisle constituting this Congress when the matter comes before us next session, and I hope that will occur. [Applause.]

Mr. Chairman, in a December pamphlet the National City Bank of New York, through its vice president, Mr. Roberts, enlightened Congress with the statement that "wealth employed in industry is social wealth no matter who owns it." Pursuant to its announced task of educating the people of the country on this subject of "social wealth" that ought not to be taxed, the same bank in a January pamphlet just received devotes several pages to the subject, and as chief cyclops of the big business bloc it criticizes Senators and Representatives by name who fraternize with the "farm bloc."

A great financial institution like this bank has a beautiful theory in economics that finds hungry appetites throughout the world should be appeased when visualizing a corpulent, full-stomached man whose anatomy has absorbed all food within reach. The bank, much like Mark Twain's Colonel Sellers, frankly wonders why the multitude is not filled with food by simply gazing on the rotund figure of a well-fed gormand.

On December 20 a modest effort was made to set forth what seemed to me to be the public's viewpoint of the subject of "social wealth," and I desire briefly to offer additional observations to make more clear the position of the average legislator compared with selfish interests that naturally do not want to pay taxes.

SOCIAL WEALTH DOES NOT PAY PERSONAL DEBTS.

To use the National City Bank's December statement for a concise text I quote from its circular sent to Congress:

Wealth employed in industry is social wealth no matter who owns it. The soviet revolutionists of Russia had a theory that leadership counted for nothing. * * * The clamor for increased taxation of wealth is largely by people who favor it as a means of distributing the accumulation of wealth that exists. * * * The country will not be safe from such proposals until the fundamental fallacy that runs all through them is understood.

The "soviet" references were repeated in the January circular received with personal reflections.

A beautiful theory urged by the bank is that "social wealth" held by the few is owned by the public, and in response I suggested on December 20 that—

The accumulation by one man in a lifetime through Standard Oil manipulations of wealth reaching, according to estimates, over \$2,000,000,000 on an original capital of a sixpence is thus "social wealth no matter who owns it."

Theoretically it may be true he can not bury it or carry it off to some other planet, and therefore it figures in the total wealth of the country, but the average taxpayer finds little solace in that theory. Again I ask if the millions of thin, gaunt, hungry mortals who find life a grind and struggle, even in this prosperous country, will be comforted and stimulated through observing the well-rounded stomach of an overfed gormand who believes that all food is "social food" no matter whose stomach it fills?

The simile is lost in comparative appetites, because Rockefeller's \$2,000,000,000 may be hoarded away, given to charity, or placed in business where the public will continue to contribute 10, 20, or even 75 per cent per annum of "social wealth," like the New Jersey subsidiary, to the one who holds the purse strings and the profits.

In my remarks before the House on December 20 I referred to the National City Bank officers and their policy not by way of criticism personally but to disclose the viewpoint of the bank's officers when seeking to teach Congress and the country through pamphlets and other propaganda placed on our desks why wealth should avoid taxes now provided by law. In the pamphlet for January, issued by the National City Bank, a statement from the viewpoint of the bank is entitled to consideration.

The statement complains that I misquoted or misconstrued Secretary Mellon's forceful letter to Congress protesting against further issuance of free-tax securities because he found over \$10,000,000,000 of what the bank terms "social wealth" has been placed where it avoids taxation. The statement from Secretary Mellon to Congress came from a great financier who estimated that of possibly \$30,000,000,000 in tax-free securities now floating around the country \$10,000,000,000 or more are held by those who invested to dodge the income tax law. No other reasonable interpretation can be placed on his appeal to Congress to prohibit the issuance of tax-free securities through a constitutional amendment to that end.

DOES TAX DODGING EXIST? IF SO, BY WHOM?

As between Secretary Mellon and Vice President Roberts, of the National City Bank, Congress will accept the judgment of Mr. Mellon, who knows the facts. His statement is also supported by Jules Bache, a Wall Street broker, who may not be entirely wrong when stating that the average big business man now spends 11 months of the year seeking how he can legally avoid his taxes.

Mr. Roberts may remove a well-grounded suspicion in the minds of the public that a large part of the wealth of big business men to-day finds investment in tax-free securities, by stating facts within his own knowledge rather than by arguing against the merits of the Mellon proposition.

Secretary Mellon may be wrong on the 25 per cent penalty clause he has failed to enforce on corporation surpluses, but he and Bache are believed not far wrong on tax dodging, even though it may hurt the tender sensibilities of high financiers to have it so termed. The fact that income-tax returns on incomes of over \$300,000 showed a decrease of from 1,296 in 1916 to 395 in 1920, or nearly 70 per cent loss, shows how rapidly tax dodging has become popular in New York's business circles and how Bache's disclosure is fulfilled by official figures.

THE TRUE BASIS OF PROFITS.

Standard Oil's net earnings of \$775,000,000 in 10 years, or 77½ per cent annually (New Jersey subsidiary), is ingeniously reduced in the National City Bank article, by basing profits on the capitalization and enormous surpluses that recently went into stock dividends. Whether Mr. Rockefeller had 11 shares or 100 shares in 1912, 10 years ago, every share of stock, if retained, according to the company's report, returned 77½ per cent annually for 10 years, even when based on an inflated stock dividend capitalization of 1912. No sophistry can change those facts or figures.

\$37,400 WAS PAID BY THE PUBLIC FOR EVERY \$100 INVESTED.

The Senate oil investigation discloses that a \$100 investment in Standard Oil stock (Indiana) before the dissolution increased by stock dividends of 2,900 per cent in 1912 is now worth \$37,200 apart from large cash dividends paid throughout the period. The public paid the profiteering price, yet any demands for an adequate tax causes the National City Bank to cry "Sovietism." Undivided profits invested in business the bank insists must be bomb proof. Just taxes according to the purpose of the income-tax sixteenth amendment and acts of Congress should reach the surplus whether held in cash or invested in tax-free securities, oil pipe lines, or otherwise. A tax based on ability to pay graduated to 50 per cent personal surtax is now avoided by undistributed profits and tax-free securities so that Standard Oil and other trusts may extort from the public 37,400 per cent profits apart from generous cash dividends distributed. And the National City Bank complains of the "farm bloc."

Mr. Chairman, I will not split hairs over the basis of figuring beyond observing that a celebrated witness once said some equally celebrated things about "figures that lie," and so forth. What more preposterous economic situation can be presented than that shown by Standard Oil in Senate committee hearings? It fixes prices on oil for the country without any relation to production, reasonable profits, or any other matter ordinarily affecting trade. On its own showing one subsidiary company made \$775,000,000 in net profits during the past 10 years, of which amount above taxes \$220,000,000, or 22 per cent, annually was distributed among its fortunate stockholders and \$400,000,000, or 40 per cent, additional annual average net profits are now laid away in cash or in increased investments or in development of oil fields from California to Mesopotamia or in some other form. When income taxes are assessed on its \$400,000,000 stock dividends it responds that five Justices of the Supreme Court have held its profits when put in stock dividends are not taxable. In the other Standard Oil case the profits apart from cash dividends are said by the Senate committee to reach \$37,200 on an investment of \$100.

WHAT GOOD JUDGES SAY OF THAT DECISION.

To the stock dividend decision made in violation of the spirit of the sixteenth constitutional amendment, four justices dissented with two memorable statements. The first says:

The known purpose of this (sixteenth) amendment was to get rid of nice questions as to what might be direct taxes, and I can not doubt that most people not lawyers would suppose when they voted for it that they put the question like the present at rest. I am of the opinion that the amendment (sixteenth) justifies the tax.

Is not that statement of the judges unanswerable?

What answer, I submit, will stand against this second proposition quoted from the dissenting opinion of other judges in the same decision, who say:

If stock dividends representing profits are held exempt from taxation under the sixteenth amendment, the owners of the most successful businesses in America will be able to escape taxation on a large part of what is actually their income. So far as their profits are represented by stock received as dividends they will pay these taxes not upon their income but upon the income of their income. That such result was intended by the people of the United States when adopting the sixteenth amendment is inconceivable. Our sole duty is to ascertain their interest as therein expressed.

The National City Bank's protest against taxation through fear of "sovietism" did not affect four judges of the Supreme Court, who would have taxed stock dividends, but were outweighed by one vote in the decision of the court.

NATIONAL CITY BANK'S 25 PER CENT PROFITS.

Another case may be understood by Vice President Roberts. On January 9—last week—President Mitchell, of the National City Bank, according to the press, stated the net profits of that bank for 1922 were \$9,708,894.74, from which amount dividends of 16 per cent were declared and paid in cash to stockholders; the balance, in undivided profits set aside as surplus, was \$3,308,894.74. This latter amount will not pay any personal income tax because not distributed. The bank has an interest, a large interest, in the tax. In other words, \$6,400,000, or 16 per cent, was distributed to the stockholders of the National City Bank for 1922 and \$3,308,894.74 has been laid aside for investment, thus avoiding personal taxes, making net earnings for 1922 of about 25 per cent for the bank on a capital that may have been augmented and built up, so far as the public knows, largely by the same methods pursued by Standard Oil.

The 25 per cent net profit annually is only about one-third the rate of net profits annually collected from the people by Standard Oil, based on its capitalization, but even 25 per cent net profits seem rather large to the man who finds many laws throughout the country that prevent his notes from drawing over 7 per cent annually, without subjecting him to criminal prosecution. I do not question the legality of the bank's profits, but it is able to distribute 16 per cent to its stockholders and lay aside over 8 per cent that will pay no personal tax. The man who loans his "social wealth" at 7 per cent annually finds himself a penny piker when consulting his profit sheet compared to those who hold the country's "social wealth" as self-constituted custodians for the public.

THE TAX PROBLEM FACING THE COUNTRY.

Let us face the real problem squarely without evasion of either taxes or argument as briefly alluded to at the outset.

The Government owes \$23,000,000,000 or more that must be paid, together with running expenses of the Government that are three times pre-war expenditures, reaching over \$3,000,000,000 annually. Who will pay it? Certainly not the 100,000 farmers whose farms were sold for taxes in 1922. Certainly not the millions of unemployed, reaching 5,000,000 workers in 1921. If not these, then who will pay the bill? Legislators are interested in raising the funds from different sources, basing the tax on ability to pay.

Secretary Mellon has disclosed to the country where many billions of dollars in tax-free securities have been availed of to evade taxes by the holders of great wealth. These evasions or Treasury losses were not anticipated when the law was passed by Congress, and such losses or failures to meet estimated governmental expenses must be met.

Again, big business incorporates because of advantages thus given to it by law. It is now discovered that great corporations are furnishing a new avenue for tax dodging and consequent Treasury losses by distributing over \$2,000,000,000 in stock dividends not subject to personal taxes but taken from the corporate undistributed profits. The following statements are illuminating:

Stock dividends declared during 1922 and totaling \$2,149,151,425 as compiled by the Federal Trade Commission at the request of Senator Brookhart of Iowa.

	Dividend, per cent.
American Electric Heater Co.	900
Atlantic Refining Co.	900
L. S. Ayres Co., Indianapolis	400
Arabel Co.	700
Bartapress Co.	300
Beechnut Packing Co.	400
Borne-Scrymser Co.	400
Browne & Sharpe	1,500
Buffalo Insurance Co.	150
Cannon Manufacturing Co.	200
Carbars Mills Co.	133
Consolidated Gas, New York	100
Cross Paper Feeder Co.	400
Dartmouth Manufacturing Co.	100
Darris Brown Woolen Co.	3,333
Denver Dry Goods Co.	900
Draper Bros., Canton, Mass.	150
Du Pont Chemical Co.	112½
Du Pont de Nemours Co.	50
E. Hampton Thread	200

	Dividend, per cent.
Eastern Felt Co.	260
Emerson Drug Co., Baltimore	400
Exchange & Buffet Co.	300
General Baking Co.	200
Globe & Rutgers Insurance Co.	400
Great Northern Paper Co.	200
Gulf Oil Corporation	200
Hamilton Emory & Corundum	400
Hayward Woolen Co., Boston	200
G. W. Helme	200
Independent Oil & Gas Co.	200
M. D. Jones & Sons Co.	500
Landis Machine Co.	2,000
Liberty Banking & Savings	100
Frederic Loser & Co.	200
Merrimac Mills	200
Magnolia Petroleum Co.	50
Michigan Copper & Brass Co.	200
Moore Drop Forging Co.	1,630
New Bedford Cotton Mills	200
Oakdale Worsted Co.	800
Ohio Oil Co.	300
Pacific Mills	100
Park's Shellac	2,400
Pocahontas Fuel Co.	300
Prairie Oil & Gas Co.	200
Prairie Pipe Line Co.	200
Republican Cotton Mills	150
Saxe & Co., New York	800
Standard Oil of Kansas	300
Standard Oil of Kansas	800
Standard Oil of Indiana	100
Standard Oil of California	111
Standard Oil of New Jersey	400
Standard Oil of New York	400
Standard Oil of Ohio	100
Union Oil Co.	50
Vacuum Oil Co.	300
Victor Talking Machine Co.	600
Wanshuck Co., Providence	2,500
Whitten Machine Co.	1,400
Whiting & Davis Co.	900
Yellow Cab Co.	800

A partial list of industrial corporations with surpluses of \$20,000,000 or more includes:

	Surplus, 1921.
United States Steel	\$508,000,000
American Telephone & Telegraph	108,000,000
General Motors	83,000,000
Texas Co.	83,000,000
Swift & Co.	72,000,000
General Electric	70,000,000
Anaconda Copper	67,000,000
Corn Products Co.	45,000,000
Westinghouse Electric	42,000,000
Utah Copper	38,000,000
American Car & Foundry	36,000,000
United Fruit	35,000,000
American Woolen	31,000,000
Pittsburgh Coal	30,000,000
Mexican Petroleum	25,000,000
Pan American Petroleum	25,000,000
American Locomotive Co.	25,000,000
American Can Co.	24,000,000
International Harvester	23,000,000
National Biscuit	22,000,000
Woolworth	22,000,000
Pullman Co.	20,000,000
National Lead Co.	20,000,000
American Smelting & Refining	20,000,000

Among the rails Southern Pacific had surplus of \$283,000,000; Northern Pacific, \$183,000,000; Union Pacific, \$150,000,000; Atchafalaya, \$198,000,000; and New York Central, \$100,000,000. A score of others had surpluses ranging from \$35,000,000 to \$90,000,000.

Mr. Chairman, the query arises, Why should not the following stock dividends, less than one-half the total, all pay a tax on the undistributed profits that were used to create the stock dividends?

CORPORATIONS AND DIVIDENDS.

Here are a few corporations that have declared stock dividends, with the amount of their outstanding stock and the value of the dividend:

Company.	Stock outstanding Jan. 1, 1922.	Stock dividend, par value.
Allen Consol. Oil	\$2,192,005	\$109,600
Alliance Realty	2,000,000	500,000
Am. Bank Note	4,495,700	449,570
Am. Gas & Elec.	5,604,480	116,081
Am. Lt. & Trac.	28,077,280	858,000
Am. Mach. Fdy.	2,000,000	4,000,000
Am. Manufacturing	8,000,000	800,000
Am. Radiator	13,806,225	6,903,113
Arundel	4,637,360	278,238
Atlantic Refining	5,000,000	45,000,000
Bank of N. Y.	2,000,000	500,000
Beech-Nut P. G.	955,400	3,821,600
Belding Bros.	3,000,000	3,000,000
Bigelow-Htd. Carpet	13,550,000	13,550,000
Borne-Scrymser	200,000	800,000
Bost. Sand & G. (pf.)	400,000	150,000
Burroughs Add. M.	24,750,000	6,187,500
Bush Terminal	6,722,200	168,055
Cal. Tel. & Lt. (pf.)	343,887	123,500
Canada Gen. El.	10,800,000	2,160,000

Company.	Stock outstanding Jan. 1, 1922.	Stock dividend, par value.
Cin. Un. Stk. Yd.	\$1,531,000	\$219,000
City Ice & Fuel (Cleve., O.)	3,600,000	1,260,000
Commercial Credit (Baltimore)	1,500,000	450,000
C'mm'n'h Fin. (shs.)	59,354	
Crane	41,290,731	1,032,269
Cumber'd P. & L. (pf.)	2,800,000	230,000
Detroit Creamery	3,200,000	1,600,000
Du Pont Chem.	600,000	675,000
Du Pont Chem. (pf.)	2,942,710	3,310,549
Exchange Buffet (shs.)	62,500	
Fed. Lt. & Trac. (pf.)	2,500,000	1,050,000
Fidelity and Casualty	2,000,000	2,000,000
Finance Service	163,370	6,170
Gas & Elec. Sec.	1,143,561	114,355
General Elec.	147,536,814	8,609,715
Gibson Art.	500,000	125,000
Gillette Safety Razor	23,320,000	1,428,000
Great Amer. Ins.	10,000,000	2,500,000
Great North. Paper	8,272,000	16,544,000
Hanover Nat. Bank	3,000,000	2,000,000
Hayes Wheel	1,633,320	359,000
Hercules Powder	7,150,000	7,150,000
Helme, G. W.	4,000,000	2,000,000
Humphreys Oil	8,577,500	6,422,500
Ingersoll-Rand	10,900,035	10,900,035
Int. Comb. Eng. (shs.)	59,000	
Int. Harvester	93,638,000	3,782,975
Intertype Corp. (shs.)	20,125	
Kellogg Switchboard & Supply	5,500,000	825,000
Manhattan Shirt	5,000,000	777,000
Minute Tapioca	200,000	100,000
National Biscuit	29,225,000	21,920,000
National Sugar	10,000,000	5,000,000
North-Am. (com.)	15,033,200	150,232
Ohio Oil	15,000,000	45,000,000
Pacific Gas & E.	34,004,053	680,081
Packard Motor	11,885,100	11,885,100
Reo Motor Car	6,937,150	6,937,250
Reynolds, R. J.	10,000,000	3,333,333
Reynolds, R. J. (pf.)	50,000,000	16,666,666
Royal Typewriter (pf.)	3,771,700	2,308,971
Saco-Lowell Shops	3,525,000	1,762,500
Schrafft, W. F., & Sons	500,000	1,500,000
Scotten, Dillon	2,250,000	750,000
South States Oil	2,000,000	180,000
Spalding, A. G., & Bros.	2,606,900	2,606,900
Standard Milling	7,410,142	4,446,085
Stand. Oil, Calif.	100,971,111	100,971,111
Stand. Oil, Ky.	6,000,000	2,000,000
Stand. Oil, N. J.	98,338,300	393,353,200
Stand. Oil, N. Y.	75,000,000	150,000,000
Stand. Steel Car.	4,000,000	36,000,000
Taxon Underg. C.	5,250,000	1,050,000
Taxon Oil & Ld.	1,904,761	95,239
Torrington	3,500,000	3,500,000
Union Nat. Gas	9,840,000	7,380,000
Union Oil of Calif.	50,000,000	40,000,000
U. S. Guarantee	205,000	300,000
Un. Royalties	250,000	402,690
Vacuum Oil	15,000,000	45,000,000
Va. Ir. C. & C.	10,000,000	5,000,000
Victor Talking M.	4,999,000	29,994,000
Yale & T. Mfg.	4,998,774	4,998,774
Yellow Cab	500,000	1,500,000
Total par value of stock dividends		1,007,705,638

A FEW PERTINENT QUESTIONS.

With a great tax problem facing the country we find enormous and unexpected tax dodging and revenue losses reported by the Treasury on the part of those best able to pay. The average taxpayer asks:

Has any other government given to corporations equal rights and privileges? Does any other government report equal corporate business compared with its total business? Does any other government report equal corporate profits compared with total business capital invested?

Does any other government permit its corporations to escape personal taxation through stock dividends?

Does any other government permit tax-free securities?

Does not England, our largest business competitor, have far heavier taxes than ours?

Should not wealth pay taxes according to its ability?

Is not this an elementary tax principle with every government?

Has private wealth accumulations in any other country approached our own?

Are like tax-escape avenues for wealth found in other countries?

Is it not true that tax-free securities are used to avoid taxes to-day?

How many billions are so invested for tax-escape purposes?

How many billions are now invested in stock dividends to escape personal income taxes?

If 50 per cent income tax is needed on \$200,000 personal incomes to collect sufficient taxes for Federal needs, what should be paid on undistributed corporate surplus?

How can tax-free securities be reached for taxation purposes except by inheritance taxes?

Does it justify a 50 per cent inheritance tax on great fortunes? If not, why not?

How can enormous corporate surpluses be reached for taxation purposes?

Is not a graduated tax on undistributed corporate profits fair in principle?

Many queries of equal or greater importance naturally will occur. Those who are asked to provide ways and means are charged with the necessity of raising funds and to find a just method of doing so. That is their problem.

CUBA'S CLAIMS OR THE UNITED STATES TREASURY'S—WHICH?

In to-day's press will be found a large advertisement signed by the National City Bank; J. P. Morgan & Co.; Kuhn, Loeb & Co., and other New York bankers offering \$50,000,000 in Cuban bonds at 5½ per cent interest. Fifty million dollars will thus be taken from the industries of America to develop Cuba, but is it not significant that any effort to collect existing tax rates from tax-escaping agencies brings a howl of disapproval because industries are to be hampered?

A leading apostle of finance recently published the following news item:

More than two billion American dollars are working abroad earning dividends (in foreign investments) for their owners on this side of the Atlantic, according to computation of officials of the Federal Reserve Board.

Mr. Chairman, I am not complaining that the National City Bank can mark off its losses in foreign bonds or other securities and then make 25 per cent net profits, for this result may be due to efficiency or other legitimate causes which would speak well for the bank's management; but as a governmental proposition, after having earned 25 per cent net profits in 1922, I submit the bank should pay its fair share of taxes if we are to meet Government expenditures.

Secretary Mellon shows where \$10,000,000,000 of tax-dodging funds have been laid away beyond the income-tax collector's reach. That amount we know is rapidly increasing. In my remarks of December 20 before the House I gave a list of stock-dividend melon cutting which covered several pages of the Record. This list did not include the National City Bank, but 328 corporations, according to the Federal Trade Commission, have distributed \$2,149,151,425 in 1922 in stock dividends that will escape personal income taxes, whereas the average little fellow, the individual who has no high-priced attorneys, or partnerships that have earned a small net profit will scrape up every dollar levied on their nonescapable incomes.

MR. WANAMAKER ASKED TO LIMIT WEALTH.

Vice President Roberts's argument regarding sovietism he bolsters up with the statement that Mr. Wanamaker began business on \$2,000 and saved \$30,000,000 before his death. Mr. Wanamaker was a highly respected public citizen. In fact, he was such a good citizen he is reported to have said in June, 1921, regarding "distribution of wealth," that "no man ought to pile up money when there is no such need for it in the world. He can not take it with him beyond the grave. We have got to get nearer God—with less Christianity and more of the real thing." Mr. Wanamaker is gone, his wealth remains, but who possesses it to-day? Mr. Wanamaker was not a believer in sovietism, although he preached the doctrine of limitation of individual wealth. Many others have voiced the sentiments of Mr. Wanamaker regarding necessity for curbing the power of individual wealth.

The almighty dollar bequeathed to children is an almighty curse. No man has a right to handicap his son with such a burden as great wealth. That sentiment may sound to Mr. Roberts like teachings of the soviet, but Andy Carnegie, an eminent American of Scotch descent, so expressed a truth that would have been worth millions to a certain New York bank president if acted upon in time. Mr. Carnegie's wealth, running well into nine figures, is a guaranty against Russian sympathy to those who distinguish sovietism from common sense by the size of the bank account.

Another sentiment may seem strange to worshipers of wealth:

I feel that we shall ultimately have to consider the adoption of some such scheme as that of a progressive tax on fortunes beyond a certain amount . . . a tax so framed as to put it out of the power of the owner of one of these enormous fortunes to hand over more than a certain amount to an individual.

"MALEFACTORS" AND OTHER FACTORS.

About the time he was stirring up the beef trust and other trusts and "malefactors of wealth" generally, Roosevelt realized a public danger that might eventually submerge this Government in endless trouble. He knew history, for he was a historian, and he knew the hearts of men, the strength and weak-

ness of Government. He never chanted the Lord's Prayer with pharisaical meaning, but preached the gospel of square dealing to men and nations alike.

In "malefactors" he included "criminals, felons, convicts" at heart because he knew the accepted meanings of words and was not afraid to use them. In this connection a well-known everyday philosopher, Dr. Frank Crane, said:

If one suggests the limiting of private fortunes, is he necessarily an anarchist, an upsetter, or a dangerous radical?

By no means, Doctor. The term "radical" or even "soviet" can not terrorize those who find eminent authority for the belief rather that "malefactors" may be responsible for anarchy. Attempts to circumvent law or disobey law, to flaunt public opinion and morality or shift governmental burdens on the weak and helpless, all these practices serve to undermine principles of government, whether they are termed anarchy or unrestricted license.

Those who measure the world by the atmosphere of the countinghouse or sound of the stock ticker do not take the right standards, Doctor, for we know better than they that the old-fashioned golden rule is as just now as it was when first given to men.

Let me again mention what was unintentionally overlooked by Mr. Roberts in his criticism of my remarks of December 20. In order eventually to reach wealth now tax free and laid aside by Mr. Roberts, Mr. Rockefeller, and other men of large means, including Mr. Stillman, I have offered a bill to increase inheritance taxes and a gift tax to prevent gift distributions made in order to avoid inheritance tax. The purpose of this bill is to help finance the Government's needs and to place in the Treasury a share of its accumulation of wealth that would otherwise go to heirs whether worthy or unworthy. This tax is apart from a bill to tax undistributed profits which was also introduced.

WHY AN INHERITANCE TAX?

Mr. Chairman, in my remarks to the House of December 20 I referred to ex-President Stillman, of the National City Bank, as an illustration to justify the purpose of the inheritance tax bill. I speak impersonally, because Mr. Stillman's standards of business and living morals are not exceptional if the public is correctly advised by the press, although they may not rule among his associates.

Mr. Stillman inherited a large estate from his father and also a great financial responsibility as the head of a large institution. A chapter from his life was recently revealed that furnished months of salacious reading, of such a character that men and women have been punished for offenses less serious. Is this not so when his reputed \$536,000 annual income has been devoted to a judicially condemned mode of living? His resignation as head of the great banking institution was rejected, according to the press, by those who controlled the institution and who thereby set standards of business and virtue that measured their judgment by his. Public condemnation became so serious that finally they were compelled to accept the resignation. Many people have believed this country is in more danger from such practices and from such standards of business morality than from efforts to reach part of the wealth so inherited or from efforts to compel tax payments into the Public Treasury to meet needed expenses of Government. So much for the recent president of the bank. I offer to make full amends if I have not understated the facts or have not put the soft pedal on gross offenses against public morals, business morals, and public conscience that have been committed. Another phase of the Stillman case concerns the bank's policy that was influenced if not directed by a mind that stopped at nothing in effort to win a notorious lawsuit. That the resignation should have been refused for a long time speaks for the responsibility of those who refused to act in the matter.

ROBERTS WOULD GIVE AWAY THE OTHER FELLOW'S MONEY.

Still another phase of the discussion which affects the policy and purpose of the National City Bank and its officials comes from Vice President Roberts, quoted in my former discussion, in favor of cancellation of our \$11,000,000,000 of foreign debts. He said:

Apparently a good many people are beginning to think that perhaps this country will do well to forgive its debtors and take advantage of whatever benefits are implied in the Lord's Prayer—

and much more to the same effect. Mr. Roberts was not asking forgiveness for the recent bank president or for refusal to accept his resignation for so long a period. The spirit he expressed when urging our Government to cancel its foreign debts was to forgive debtors "as implied in the Lord's Prayer."

The National City Bank that made 25 per cent net profits last year does not forgive its debtors, and international bankers of New York City, including the National City, may now

hold many foreign securities either by title or agency that will be vastly increased in value if this Government cancels its foreign debts. Secretary Mellon testified before our committee that foreign securities now held by private parties in this country are estimated at over \$4,000,000,000.

It is the understanding that international bankers of New York City hold a goodly share of these foreign securities; that they are agents for a larger amount; and that these debts now are holding up recognition of the Russian Soviet Government, which has repudiated its bonds. Russia's private holdings are not subject to the Lord's Prayer. They are not to be forgiven. Only the debts of our Government are on the forgiveness list.

It is not improbable that if such cancellation of foreign debts could have been effected by Vice President Roberts, Mr. Otto Kahn, and others of like views and interests, that profits of all such bankers would have been far larger than the generous 25 per cent which was realized in 1922 by the bank.

WHEN A BANK'S POLICIES ARE OF NATIONAL CONCERN.

Mr. Roberts fails to discuss the National City Bank's policies in his last circular. Frankly, I am willing to leave to any disinterested jury a fair question, "Which is most calculated to promote sovietism in America, sane legislative efforts to compel wealth to pay its legal taxes or constant efforts by those best able to pay to dodge taxes?"

The bank by its opposition and assault upon the good faith of legislators naturally attracts attention to its own record. As the greatest bank in America it occupies a powerful position financially. Is it part of an alleged supergovernment? What is the answer?

Reference was made to the Liberian loan which passed the House by a close vote and was killed in the Senate. That bill proposed to validate worthless bonds issued by Liberia many years ago with money to be taken from the Federal Treasury. The National City Bank was among the holders of these defaulting bonds, and all parties were agreed to make that bank the "fiscal agent" for the bondholders and for exploiting Liberia at this Government's expense.

I examined different witnesses appearing before the committee favoring that loan, and leave the record, which caused the Senate's rejection, to speak for itself. The bank's mandate failed to move the Senate and \$5,000,000 was saved to the Federal Treasury. When visiting Haiti several years ago I was there advised that the National City Bank had practically taken over the fiscal affairs of the Haitian Government. Hundreds of American marines were then held at Port au Prince to "maintain order." An imposing collection agency was maintained by the United States Government. Nicaragua, Costa Rica, and even our new possession, the Isle of Cuba, we are told are all pouring water on the National City Bank's wheel, which stream American marines are expected to keep moving whenever and wherever needed. That stream helped furnish 25 per cent profits last year to the bank, some of whose officials have advocated the cancellation of \$11,000,000,000 of the Government's foreign debts, while they hold private debts intact, excuse gross tax evasions, condemn legislators who urge tax enforcement, and employ governmental agencies to aid exploitations.

A PROFITABLE GOVERNMENT INVESTMENT.

Mr. Chairman, I submit Congress may well probe the activities of such great financial agencies that reach out over the Western Hemisphere and seek to distract attention by a wolf's cry that the "soviet goblins will get us if we don't watch out."

Amazing revelations concerning the Money Trust, interlocking directorates, and kindred subjects by the Pujo committee disclosed pre-war conditions of a decade and a half ago. With the rapid growth of centralization and big business activities throughout the world a new chapter undoubtedly could be written that would dwarf in importance the war fraud, Lockwood, and other probes. A \$25,000,000 national-bank tax controversy in New York should insure active cooperation from the New York State administration, while the probe would be of immeasurable value to the country in disclosing the modern methods of pressure on State and National legislation through organized propaganda. It would not cost 10 per cent of the amount carried by the Liberian loan, and would prove a profitable investment to the country in many ways.

The average man, I submit, need not hesitate to measure his own ideals or course of conduct with the officers of these great business institutions, past or present. Big business has an important part to play in our economic system and has grown so large that, in my humble opinion, any attempt to crush it, however distant the day, will bring a train of evils, even as they have in Soviet Russia, as Mr. Roberts well says. But unrestricted growth in size and power with present-day standards, voiced by the statement that "all wealth is social wealth, by

whoever owned," that we must obey the Lord's prayer by forgiving debts of other nations in order to enhance private holdings, is a queer religion and an economic teaching that deceives no one, not even those who preach one thing and practice another.

COMPARISONS WHETHER ODISIOUS OR OTHERWISE.

Comparisons may be odious, but Mr. Roberts seems inclined to invite such course by his individual references to Members of Congress. Without now discussing his Chicago career or interests theretofore served in order to get a proper starting point and eliminating from consideration Mr. Stillman, the former directing head of the bank, with a record rarely approached even in this loose day and age, we find Mr. Roberts presumably voicing the policy of his bank advocating cancellation of foreign debts to this Government reaching \$11,000,000,000. He has argued we can not absorb \$500,000,000 of "social wealth" in foreign interest, notwithstanding one company, Standard Oil, has divided double that amount recently in stock dividends. The Roberts proposal inviting governments to repudiate their debts of course does not apply to private holdings of his own bank or other agencies.

Contrary to his proposals, I urged five amendments to the debt funding resolution that were accepted by the committee, the House, the Congress, and are now law. They provided for a Debt Commission instead of Secretary Mellon to settle the debts, prohibited cancellation or substitution of other obligations, and provided for publicity and termination of the committee's power.

England, we are now advised, will pay us between \$4,500,000,000 and \$5,000,000,000, or nearly one-quarter of our national debt, that was loaned her by the people of this country. When Roberts was preaching cancellation of this loan with his juggled new version of the Lord's Prayer for the other fellow to forgive this debt, I was seeking to write into the law a provision that prevented its cancellation. In other words, the National City Bank's theory of "social wealth" belonging to the public depends on who holds the social wealth.

The average legislator or man of affairs, whatever his occupation, I again submit, need not fear comparisons of morals, ethics, or actions, either with the recent president of the National City Bank, Mr. Stillman, or its present publicity vice president, Mr. Roberts. I say this impersonally, whoever the officials may be, for when big business blocs largely control the press, our politics, and to some extent public conscience and legislation, there is always an element of selfishness in the dominating force beyond any public interest or care for general welfare.

NEITHER CZARISM OR SOVIETISM ACCEPTABLE.

To class those who do not subscribe to the bank's theory of "social wealth" as tinctured with sovietism seems to evidence a spirit of czarism in this country far more menacing than the 1 per cent of sovietism that may exist in New York or elsewhere. We may well ascertain how far big business would carry us from our ideals of government, how far it would embroil us in the controversies of other governments, how far it would place us in control of other governments of this hemisphere or other hemispheres in order to function its business and its collections from those governments; in fact, how far this country is prepared to accept control by social wealth held by a few self-appointed custodians for the remaining 98 per cent of our people. If it is to be a test of sovietism or czarism, neither will be acceptable to those who continue to believe in the aims and fundamentals of our own Government.

Mr. GREEN of Iowa. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record with reference to the constitutional amendment concerning tax-exempt securities and its effect upon the interest rate.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent to extend his remarks in the Record in the manner indicated by him. Is there objection?

There was no objection.

The extension of remarks referred to is here printed in full as follows:

Mr. GREEN of Iowa. Mr. Speaker, it has been alleged by opponents of the amendment that the removal of the taxation privilege would greatly increase the rate of interest which borrowing States and municipalities would have to pay on future bonds issued.

Reference to the records of 50 years shows that the difference in rates has mainly depended on safety of principal rather than on exemption from taxation. Bonds issued by the most reliable and best-known borrowers always enjoy the lowest rates, while small municipalities and districts distant from the money centers pay as high or higher rates than that paid on high-class securities not tax exempt.

Reference to the market quotations for 1922, as reported for the New York Stock Exchange, prove beyond a possible doubt that the tax-exemption privilege is of little value to the borrower. The following quotations are the highest made on several taxable securities for the year 1922:

Atchison, Topeka & Santa Fe, convertible 4's issued 1910, due 1930	107 1/2
Duluth & Iron Range first 5's, 1937	102 1/2
Chicago, St. Louis & New Orleans gold 5's, 1951	104 1/2
Louisville & Nashville gold 5's, 1937	102 1/2
Nashville, Chattanooga & St. Louis 5's, 1928	103 1/2
St. Paul & Duluth first 5's, 1931	100
Southern Pacific California guaranteed 5's, 1937	103 1/2
Texas & Pacific first gold 5's, 2000	100 1/2
Brooklyn Edison Incorporation General 5's A, 1949	100 1/2
Cincinnati Gas & Electric first ref. 5's, 1956	101
Great Falls Power first M. S. F. 5's, 1940	100
New York General Electric Light & Power Co. gold 5's, 1948	101 1/2
Niagara Falls Power first 5's, 1932	101 1/2
Dominion of Canada 5's, 1952, subject to property tax and income tax in the United States of America	106 1/2
Baldwin Locomotive Works first 5's, 1940	103 1/2
General Electric debentures 5's, 1952	103
Indiana Steel 5's, 1942	103
American Telegraph & Telephone 20-year convertible 4 1/2's, 1933	104 1/2
Pacific Telephone & Telegraph first 5's, 1937	100

In each case the quotations given in the foregoing are the highest for the year 1922. For the week ending January 12, 1923, the average price is lower than the peak prices of the year 1922, but in some cases the price is the same, and the quotations on several are within one point or less of the highest of 1922, with a few showing a greater difference.

A leading financial paper reported Chicago & Northwestern 4 1/2's as offered during the second week of January, 1923, on a 4.75 basis, Louisville & Nashville 5's quoted on a 4.75 basis, Norfolk & Western 4 1/2's on a 4.50 basis, and Southern Pacific 4 1/2's on a 4.75 basis.

Among other securities selling on a basis to yield less than 5 per cent the following may be mentioned: Illinois Central collateral trust 4's of 1952 to yield 4.97; Union Pacific refunding 4's of 2008 to yield 4.67; West Shore 4's of 2361 to yield 4.80; Chicago, Burlington & Quincy 3 1/2's of 1949 to yield 4.70. The Spring Valley Water Co., of California, sold \$22,000,000 of bonds in 1922 on a 5.12 basis, which is better than the rate obtained on many tax-free issues.

These taxable securities of railroad and industrial and public utility corporations are gilt-edge and the best in the country. For safety of principal they compare favorably with the issues of States and municipalities, and for that reason they are readily marketable at rates closely approximating the rates paid by borrowing States and municipalities.

The stock exchange quotations cited, giving yields of the better grades of taxable securities, show that the difference in interest rates between the taxable and the tax exempt in many cases is not over one-quarter of 1 per cent and that it seldom reaches half of 1 per cent on securities approximating the same safety of principal.

A comparison of the interest rates paid on taxable and non-taxable securities over a period nearly 50 years prior to the enactment of the law creating the graduated system of income taxes shows that the State and municipal securities nearly always enjoyed a rate of interest of one-tenth to one-half of 1 per cent lower than industrials and railroads, this better rate being partially due to confidence of the investing public in the greater security of principal of the public securities and partly due to the exemption from taxation. This comparison is in accordance with researches made by the Institute for Research in Land Economics and Public Utilities, of which Prof. R. T. Ely, of the University of Wisconsin, is director.

Nearly all of the best tax-exempt State and municipal securities issued during the past year have been sold to yield 4 to 5 per cent. Some have sold on a basis higher than 5 per cent and a few have sold at prices to yield a little less than 4 per cent. Bonds of the larger cities have in many cases sold at a better rate than State bonds.

The investor in tax-exempt securities who receives an income of \$1,000,000 a year is enabled by the ownership of the tax-exempt securities to evade the payment of an annual Federal tax of \$550,640. This is a trifle over 55 per cent of his income.

Those who favor the tax exemption of bonds declare that the investor buys the bonds on an interest basis so low that it fully compensates the Government for the taxes which he evades paying. The market reports prove that this is not the case. Many States and municipalities pay interest on their tax-exempt bonds at rates that are comparable with the rates paid by private corporations on taxable securities. From the Commercial and Financial Chronicle of January 13, 1923, reports have been obtained of the rates at which tax-free securities have been sold in the year 1922.

Cases here cited are from widely scattered localities. It will be noted that all are equally tax free, but the rates are widely different, and none of them is sufficiently low to account for the exemption benefit received by the wealthier investors.

Typical sales of tax-free bonds in the year 1922 and the first two weeks of 1923:

Flagstaff, Ariz., \$60,000 park bonds, on basis of	5.71
Howell, Nebr., \$10,000 light and power bonds	4.99
State of North Dakota, \$250,000 State bonds	4.50
City of Petersburg, Va., bonds due 1932	4.40
Wildwood, Cape May County, N. J., \$25,000 park bonds	4.94
Vallejo, Calif., \$62,500 water-district bonds	4.87
Union, Union County, S. C., \$150,000 street-improvement bonds	4.98
Scranton, Pa., \$1,000,000 school-district bonds	4.12
Orange Township, Cuyahoga County, Ohio, \$34,556.45	5.30
Marathon, Cortland County, N. Y., \$9,000 bridge bonds	4.97
Hookerton, Greene County, N. C., \$35,000 water, sewer, and light bonds	6.00
Hubbard, Trumbull County, Ohio, \$20,000	5.00
Dubuque, Iowa, \$100,000 sewer bonds	4.30
Adamsville, McNairy County, Tenn., \$5,000 sidewalk bonds	6.00
Alfred, Allegheny County, N. Y., \$10,000 street-improvement bonds	4.96
Harding County, S. Dak., \$135,000 bonds	5.50
Nampa and Meridian irrigation district, Idaho, \$36,950	6.00
Froid, Mont., \$10,000	6.00
New Rochelle, N. Y., \$237,000	4.10
Plummer, independent school district, Nebraska, \$8,200	6.00
Poughkeepsie, N. Y., \$278,000	4.05
Reidsville, N. C., \$300,000	5.23
Salem, Ohio, \$41,307	5.00
Uinta County school district No. 6, Wyoming, \$20,000	6.00
Worcester, Mass., \$860,000	3.93
York rural school district, Ohio, \$4,000	5.98
Zephyrhills, Fla., \$37,500	5.98

It is obvious that the investor in tax-exempt securities does not pay a premium equal to the benefit he receives. Comparison of the reports of sales of taxable and tax-exempt bonds of the past year shows it to be equally apparent that States and borrowing municipalities would not be obliged to increase their interest rates more than one-fourth of 1 per cent to one-half of 1 per cent if the income from their bonds were made taxable, while for every dollar paid out in additional interest the Government would receive \$3 to \$5 in additional taxes.

The acid test of the stock exchange market demonstrates that the benefit of tax exemption to the borrower is very slight. The actual profit of the tax-exempt privilege goes into the pocket of the wealthy investor at the expense of the general taxpayer. The statement is sustained by the actual experience of the year just closed.

The wealthy investor, however, seldom buys the bonds of the small municipality or a far distant district. This partly because they are not considered as secure and partly because they do not have a definite market value. Such bonds are, as a rule, bought by the small investor, to whom the tax-exempt privilege is of little value. Consequently the borrower gets no benefit whatever from the tax exemption. It will be seen from the foregoing table that most of such issues pay 6 per cent.

One of the most conclusive and lucid demonstrations of the economic folly of the tax-exemption plan was worked out by Prof. G. E. Putnam, of Washington University, St. Louis, professor of banking and currency. It appears in Washington University Studies, Volume VII, Humanistic Series, No. 1, pages 21-23, 1919.

The revenue law has been amended since 1919, reducing the rate of taxation; but the arguments presented by Professor Putnam have never been refuted, and the same principles apply now as then. Professor Putnam's article has been rewritten, and the table showing profits of investors has been revised by a Treasury Department expert to adapt it to changes in the revenue law now in effect.

By far the most conspicuous evil of tax exemption is that it completely upsets the purpose of graduated taxes. In the first place, it enables those with property incomes to escape the burden of progressive rates, thereby causing the burden to be shifted to others less able to pay. Suppose, for example, that a married person without dependent children receives a yearly net income of \$50,000—after paying State taxes—from real estate valued at \$1,000,000. Under the revenue act in force in 1922 his Federal income tax would be \$6,640. If he converted his real estate into 5 per cent tax-exempt bonds at par, his property and income taxes thereafter would be nothing, his net income would in no way be diminished, while the man who received the same income from personal services, from farms, from city real estate, or from taxable securities would continue to pay a tax of \$6,640.

The injustice of tax exemption, however, does not stop here. It not only gives rise to unwarranted discrimination in favor of property owners, as opposed to wage earners, but it also confers a much greater favor upon the wealthy classes than

upon the investor in moderate circumstances. Under the Federal income tax law, for instance, a married person without dependent children is subject to a flat tax rate of 0.663 per cent if his annual income is \$3,000, 17.28 per cent if his net income is \$50,000, and 55.064 per cent if his income amounts to \$1,000,000. The yearly saving in taxes that each of these three classes might make through the purchase of a \$1,000 bond yielding 5 per cent amounts to 33 cents, \$8.64, and \$27.53, respectively.

If the same bond were subject to taxation, the net annual yield to these investors after paying income taxes would be 4.963 per cent, 4.136 per cent, and 2.247 per cent, respectively. Or, to put it another way, a 5 per cent nontaxable bond is the exact mathematical equivalent of a taxable bond yielding 5.035 per cent if the bondholder has an income of \$3,000, 6.305 per cent if his income is \$50,000, and 11.555 per cent if his income is \$1,000,000.

The net loss to the Government on each thousand-dollar bond is shown by the figures in the last column of the table when the bonds are sold at par. When the bonds are sold at a premium the amount of that premium deducted from the capitalized value of the exemption shown in the last column will leave the net loss to the Government caused by the exemption.

Obviously the small investor has little to gain from the purchase of tax-exempt securities. If his income is exactly \$3,000, it is immaterial whether he buys a 5 per cent taxable bond at par or a 5 per cent nontaxable bond, maturing in 20 years, at \$100.415. The annual value of the tax-exemption privilege on his tax-exempt bond is only 33 cents, and the capitalized value \$4.15. But with every material addition to his income, the incentive to buy tax-exempt bonds becomes greater. In the case of those having annual incomes of \$1,000,000, the annual value of tax exemption on a \$1,000 tax-exempt bond, bearing a 5 per cent rate, is \$27.53. In 20 years the value of this exemption would amount to \$550.60. The present worth or capitalized value of this exemption, on a 5 per cent basis, would be \$343.08.

These and other significant facts relative to the unequal benefits conferred by tax exemption are shown in the following table:

Profits to investors on tax-exempt bonds, 1922.

Net income of married person without dependent children.	Total tax (calendar year 1922).	Tax rate on whole income.	Net yield of non-taxable 5 per cent bonds.	Net yield of taxable 5 per cent bonds.	Rate of interest required on taxable securities to yield 5 per cent.	Annual value of tax exemption on \$1,000 5 per cent bond (annual loss to Federal Government).	Present value of tax exemption on \$1,000 5 per cent bond maturing in 20 years (present value of total loss to Federal Government).
		Per cent.	Per cent.	Per cent.	Per cent.		
\$3,000	\$20	0.663	5	4.963	5.035	\$0.33	\$4.15
10,000	520	5.20	5	4.74	5.256	2.60	32.40
20,000	1,720	8.60	5	4.57	5.512	4.30	53.59
50,000	6,640	17.28	5	4.136	6.305	8.64	107.67
100,000	30,140	30.14	5	3.493	8.446	15.07	187.81
200,000	66,640	43.32	5	2.334	10.157	21.66	269.93
500,000	260,640	52.128	5	2.394	11.206	26.06	324.77
1,000,000	550,640	55.064	5	2.247	11.555	27.53	343.08

If the supply of tax-exempt securities should be materially diminished so that the available number was insufficient to satisfy the needs of the very wealthiest classes, the price of 5 per cent tax-exempt bonds would tend to rise toward \$134.308; that is, to a premium representing the highest capitalized value of the tax-exemption privilege. In actual experience it always fails to reach that premium. Under present conditions, however, no such premium is possible. Owing to the large volume of State, municipal, and Federal bonds outstanding, bonds exempt in whole or in part from the progressive income taxes, it is unnecessary for the recipients of large incomes to pay a price for tax-exempt bonds that anywhere near covers the capitalized value of the tax-exemption privilege.

Reference to the market reports of sales of State and municipal and other tax-exempt bonds shows that the premium on 5 per cent tax-free bonds sold in 1922 is usually about one-tenth of the actual present worth of that exemption to the investor receiving an income of \$1,000,000 per year.

The enormous increase in the volume of issues of tax-free securities during the five years preceding and including 1922 shows that there is no prospect of diminution of that output under existing laws.

It is for this reason that the main argument in favor of exempting Government bonds from the income tax breaks down. Under a system of proportional taxation, it is probably true that tax-exempt bonds of the Federal Government would sell at a premium corresponding roughly to the capitalized value of tax exemption, and thus yield a greater return to the Government. But under a system of progressive taxes the price of the bonds is not enhanced by the capitalized value of the exemptions, and therefore the amount that the Government can gain from a lower rate of interest will not be so great as the loss in revenue from the income tax.

What the individual gains from tax exemption represents, of course, a loss to the National Treasury. This loss can not possibly be accurately calculated because there is no way of ascertaining the exact distribution of tax-exempt bonds among the various classes of taxpayers. But sooner or later the loss in tax revenue will become prodigious for the reason that the ownership of tax-exempt securities tends to become concentrated in the hands of the wealthy classes. These are the classes who would normally pay the heaviest taxes and who, moreover, would be the most alert and proficient in ferreting out some means of shifting the tax burden. That their incomes are sufficiently large in the aggregate to enable them to absorb most of the tax-exempt bonds outstanding, either through direct purchase out of current income or through the conversion of income-producing property, is shown by the report of the Commissioner of Internal Revenue.

Mr. Sisson. I yield five minutes to the gentleman from Louisiana [Mr. Sandlin].

Mr. Sandlin. Mr. Chairman, I ask unanimous consent to insert in the Record a letter from the American Legion with reference to the Muscle Shoals proposition.

The Chairman. The gentleman from Louisiana asks unanimous consent to extend his remarks in the Record in the manner indicated by him. Is there objection?

There was no objection.

The letter is as follows:

THE AMERICAN LEGION,
NATIONAL LEGISLATIVE COMMITTEE,
Washington, D. C., January 15, 1923.

Hon. JOHN N. SANDLIN,
Congress Hall, Washington, D. C.

MY DEAR CONGRESSMAN: The national legislative committee of the American Legion desires to lay before you a resolution concerning the Muscle Shoals plants and properties, and to urge that Congress adopt a definite policy at this session for the development and operation of this great national project.

This matter was given most careful and serious consideration at the national convention of the American Legion assembled at New Orleans, La., on Friday, October 20, 1922, and the following resolution adopted:

"Whereas at the beginning of the World War the United States Government was brought to a realization of the fact that it was wholly dependent upon the Chilean nitrate beds and German war-built nitrogen plants for its supply of nitrogen, which is absolutely necessary for the manufacture of high explosives; and

"Whereas the said United States Government did thereupon appropriate large sums of money for the erection and operation of nitrate plants Nos. 1 and 2 at Muscle Shoals for the manufacture of nitrogen in large quantities by extracting same from the air, which said plants were completed and successfully operated just prior to the armistice, or just after, and are the only air-nitrogen plants in the United States of America; and

"Whereas the above-mentioned plants have not only been left inoperative since the war, but have constantly fallen into a state of deterioration, at an expense of many thousands of dollars annually to the taxpayers of this country, while similar air-nitrogen plants in Germany were speedily converted so as to manufacture cheaply nitrogen fertilizers for the enrichment and reclamation of the arid farm lands of Germany, which has proven to be an untold blessing to the people of that country; and

"Whereas we believe that the continuance of our dependence upon foreign countries for the necessary supply of nitrogen for fertilizers in time of peace and for explosives in time of war is not only an unspeakable humiliation but is positively perilous from the point of view of the national defense: Now, therefore, be it

"Resolved, (1) That we, the American Legion in national convention assembled, do hereby call upon the Congress of the United States, upon the assembling of same, immediately to take up and act upon the measures pending in Congress or that may be introduced immediately upon the reconvening of same, on the subject, and to determine upon a fixed policy as to the disposition of same; and

"(2) In determining upon the disposition to be made of said properties they may be governed by the following principles which we believe to be fundamental, namely:

"(a) No policy or plan should be accepted which does not provide for the operation of said plants in time of peace and the manufacture of fertilizer, and the test for acceptance of any offer should be the amount of fertilizer proposed to be manufactured;

"(b) No plan or policy should be adopted which is calculated to introduce Federal operation of the project;

"(c) The fertilizer production at Muscle Shoals shall have preferred supply of power in time of peace;

"(d) No plan or policy should be adopted which does not assure the Government that a research or experimental department will be maintained and conducted in connection with the plants for the purpose of keeping up with the most approved methods of nitrogen production, and that in the event of military emergency the said plants will be made available to the Government at the call of the Secretary of War for the manufacture of nitrogen for explosives.

"(3) That the national legislative committee of the American Legion be directed to use all possible legitimate efforts to the end that

the Congress of the United States immediately enact such legislation as aforesaid."

From the above-quoted resolution you will note that this great project should be—

First. Under private control and operation (not under Federal or governmental control and operation);

Second. That fertilizer production shall have preferred supply of power in time of peace and nitrogen production for high explosives in time of war; and

Third. That suitable legislation providing for the adoption of a permanent policy be immediately enacted by this Congress.

This entire matter has been before both Houses for some time and has been thoroughly considered and reported on by the committees after full and comprehensive hearings have been held.

As the American Legion has in national convention passed this very important resolution entitled "Reclamation and national defense," we are interested in having the matter considered at the earliest possible time, and we write you now to ask you when Congress expects to take the matter up with a view to giving careful consideration to the proposals that have been made and with a view to adopting a definite and comprehensive policy for the development and operation of this great project. In making some investigation in connection with our effort to ascertain the status of this question we have noted that on August 25, 1922, when this matter was under discussion in the House, Floor Leader MONDELL included in his remarks the following:

"I agree with the gentleman from Illinois that this matter ought to be considered and settled by this Congress and as soon as it can properly be done."

We urge upon you as a Member of this Congress immediate consideration of this legislation so vital to the national defense of our country should the country become involved in war, and so indispensable to our agricultural welfare.

Very truly yours,

JOHN THOMAS TAYLOR,

Vice Chairman National Legislative Committee.

Mr. SANDLIN. Mr. Chairman and Members of the House, of course I will not try to give the membership of this body any information with reference to the pending appropriation bill, because very few Members of the House know anything about it. Under the rules of this House the subcommittee of the Committee on Appropriations are about all the Members who have any real information about what this bill contains. But it came to my mind that probably it might be well to suggest to this Congress that if they do not give to the American people some of the things which they desire the American people may give them something that they do not want. In my humble opinion, the manner in which this Congress has treated the very serious proposition of Henry Ford to take over Muscle Shoals is inexcusable, and it should have had careful consideration from the representatives of the American people. There is no doubt, my friends, that the farmers of this Nation and the laboring people of this Nation and many clear-headed business men believe that Mr. Ford's proposition should be accepted. Whether you agree with them or not, and I am frank to say I do, I believe that the membership of this House at the present time are possessed of all the knowledge that they will ever have with reference to this proposition.

Mr. WILLIAMSON. Will the gentleman yield?

Mr. SANDLIN. No; I will not.

The CHAIRMAN. The gentleman declines to yield.

Mr. SANDLIN. You and your party have had quite a long time to operate on this matter, and I have only a short time yielded to me to protest against your failure to act. Please let me alone, with all due respect. [Applause and laughter.]

We come here to Washington and discuss various matters, and sometimes forget what the people at home are interested in and talking about. I dare say there is hardly a Member of this body to-day whose people at home are not discussing the proposition of Henry Ford with reference to Muscle Shoals, and they want us to take favorable action in the matter. I do not believe this Congress or this administration will accept Henry Ford's proposition, but in the interest of the whole people this matter ought to be settled one way or the other. Last August the gentleman from Wyoming [Mr. MONDELL], the Republican floor leader in this body, promised that this matter would be settled in a short time. Now we have come nearly to the day of adjournment of this Congress, and it is evident that no action will be taken.

I honestly believe that if the names of those men who are spoken of as candidates for President of the United States were written on a ballot to-day and put in the hands of the voters of this country you would be surprised at the number of votes that Henry Ford would receive to put him in a position to say who should take over Muscle Shoals. And while I know that Republican leaders will not accept my suggestions here, but will treat them lightly, mark my words: If this Congress does not accept the proposition of Mr. Ford, he is going to throw a monkey wrench into somebody's aspirations for the Presidency. [Applause.]

Mr. STAFFORD. On behalf of the gentleman from Kansas [Mr. ANTHONY], I yield five minutes to the gentleman from Kansas [Mr. LITTLE].

Mr. LITTLE. Mr. Chairman, the State of Kansas pays 10 cents a bushel to send its wheat to Chicago. It costs 21 cents

more a bushel to get that wheat to Liverpool. That is 31 cents. We are shy just that much on every bushel of wheat that we ship to Liverpool. You can ship wheat from New Orleans to Liverpool for 8 cents. You can send it by barges and tugboats by river from St. Louis to New Orleans for 8 cents. That is 16 cents. If we could get the tugs and barges running from Kansas City to St. Louis and on down the river we could send our wheat to New Orleans for about 10 cents a bushel. Eight cents to Liverpool would make 18 cents. We would save the difference between 18 cents and 31 cents, which is 13 cents a bushel. In 1921 Kansas raised 128,000,000 bushels of wheat. At 13 cents a bushel that would be over seventeen and one-half million dollars. It you will give us a million and a half dollars a year to fix the Missouri River for a few years we will have a 400-mile 6-foot channel to St. Louis, then save \$17,500,000 a year for the farmers.

Mr. FREAR. We have already put \$35,000,000 into the Missouri River. The Government has expended that much money on that river.

Mr. LITTLE. Yes; but you stopped it just as you got it well under way and a 6-foot channel for 350 miles of the 400 between Kansas City and St. Louis; and I want to say that the men who assassinated the Missouri River are the greatest enemies the western farmers in this country have ever had. That is the greatest river in the world—from the Rocky Mountains to New Orleans. The States that lie along it and are tributary to it raised 380,000,000 bushels of wheat in 1921; practically half the wheat raised in this country. If they could ship their wheat to New Orleans by that river it would mean a saving to them of \$50,000,000 a year. Talk about what you do with your rivers and harbors! You will do more good by fixing the Missouri River than by any other money you spend on any other waterway or the ocean itself. It flows through the greatest wheat country in the world—the Missouri Valley. Half the wheat of your country comes from there. The people of that valley can not only greatly increase the value of their crops and add immensely to the resources of that great farming region, the greatest in the world, but they can sell wheat and flour to the world cheaper than in any other way the world can get it. Why is it not done?

When I was a little boy along the Missouri River it floated more steamers than any other river in the United States except the Mississippi and the Ohio. It ran bigger steamers than any other river in the world except those two. What has become of them? I can tell you. The railroads killed them. They began with a holler about a pork barrel. They got hold of three or four little rivers up here and proceeded to make a great fuss about them. The rivers of this country have never cost this Government more than \$400,000,000 in all its history. Yet the railroads have taken from us, to start with, the wealth of half a world. They can not accommodate their customers, let alone doing it at reasonable rates. They are opposed to these cheap rates by water. The railroads had a pass in the pocket of every politician. They had a pass in the pocket of every editor; and they began by bringing out the little story about the pork barrel, and it got to be very funny, to ridicule taking care of the Missouri River, the pathway provided to the sea for the wheat country. It actually ruined the Missouri River. Seventeen million five hundred thousand dollars last year was taken from our State by that joke. That was not all; they also refused cars, and we lost millions because we could not get to market. The barges would have taken it down the Missouri and to market when wheat was highest. Kansas in 1921 lost \$30,000,000 it could have made if it had 50 miles more of 6-foot channel on the river to St. Louis.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. STAFFORD. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. MACGREGOR].

Mr. MACGREGOR. Mr. Chairman, there has been much said in this House upon the subject of State taxation of national banks. It is probable that very few of the Members know what the trouble is. To one not acquainted with the laws and procedure with reference to taxation in the various States the question seems to be hopelessly involved. Although I have listened to many witnesses, had the benefit of more or less illuminating speeches by various Members, have read the hearings and sought to comprehend what is being driven at, I confess that I am still somewhat hazy.

I want to state my conception of the situation. If I am wrong I want to be righted.

The war of words centers about the phrase in section 5219 of the Revised Statutes of the United States permitting the taxation by the States of the share of stock of national banks. This phrase is "that the taxation shall not be at a higher rate

than is assessed upon other moneyed capital in the hands of individual citizens of such State."

The statute has existed in this form since 1864.

Under the old general property method of taxation prevailing in most of the States up to recent years no trouble arose. Under that system there were two classes of property, real and personal, but both bore the same rate of tax. Personal property bore but a very small share of its burden because of the difficulty upon the part of taxing officers of finding the personal property. Much of that escaped and various methods and means were adopted to ferret it out without much success. In recent years many of the States have adopted the income tax and placed a low rate of taxation upon income, upon the theory that if a low rate was imposed there would not be such a great temptation to concealment. The present difficulty has arisen out of the fact that the income-tax States have sought to place a specific tax upon State and National bank shares as a separate class and considered that they were not violating any law by doing so. They conceived of "moneyed capital" as being confined to capital invested in State and National banks.

It is now conceded as established by decisions of the United States Supreme Court that "moneyed capital in the hands of individual citizens" includes all moneys as such used by banks, private or incorporated, or by individuals for purposes of profit.

Under some income tax laws individuals, copartnerships, or corporations engaged in the money business other than State and National banks are not taxed upon capital but only upon income.

Thus it is held that a discrimination exists against national banks contrary to the express provisions of section 5219 of the national bank act.

The question is of vital importance because millions of dollars are involved. It is of direct importance to local communities in some of the States, as the taxes derived from the taxation of these banks are used for local purposes. If Congress is powerless to validate taxes heretofore paid, millions upon millions of dollars must be paid back to the banks on account of taxes paid under protest. As to the future the question should be settled as the tax laws of the States must be amended to conform to the determination of Congress, and until that is done there will be a condition of great confusion in every village and county and town where a State or National bank is located.

The tax commissioners of the States come to Congress and ask that section 5219 be amended so that they may continue to tax State and National banks upon a different basis than is used as to "other moneyed capital."

The national banks oppose this request and ask that the statute remain the same or, if any change is to be made, that it only be altered to permit the taxing of income at the same rate as income from other moneyed capital.

The House has passed a bill—H. R. 11939—which simply adopts the definition of the Supreme Court as to "moneyed capital" and provides that in income-tax-bases States an income tax may be imposed upon the bank in lieu of a share tax.

The language is as follows:

(a) That the tax imposed shall not be at a greater rate than is assessed upon other moneyed capital in the hands of the individual citizens of such State coming into competition with the business of national banks.

(b) That in any State where a tax in lieu of a property tax is assessed upon the net income derived from such other moneyed capital such State may, in lieu of a tax on the shares, impose upon the bank an income tax assessed upon the net income of the bank, but such tax shall not be at a greater rate than is assessed on the net income of such other moneyed capital.

Thus the House declined to meet the argument of the State tax commissioners that it was not feasible to adapt their systems of taxation to the rule set up by section 5219. What the House virtually says is that if the States desire to tax national bank shares they must put in vogue the old method of using coercive or persuasive measures to ascertain how much Bill Jones, in Hicksville, has put out upon notes and what profit he has made and how much he made in shaving them, and place a tax upon that profit in addition to the income tax that he pays. It must be remembered that, at least in New York State, the holder of the bank share pays a tax of 1 per cent upon the shares in addition to an income tax upon the dividends. Business corporations pay a tax upon net income, and in addition the holder of the stock pays a tax upon dividends.

The opposition to the placing of the State and National banks in a class by themselves for taxing purposes are conjuring up the usual bugaboo of Wall Street.

The picture attempted to be painted by certain gentlemen upon the floor is that they are like knights of old clad in armor

and bearing a spear engaged in a bitter contest with a dragon that would devour and destroy the substance of the people unless they were protected by these valiant defenders.

They remind one of Don Quixote fighting windmills. I suppose in southern and western hamlets they frighten children by telling them that if they do not look out Kuhn, Loeb & Co., J. P. Morgan & Co., Lee, Higginson & Co., or Midder, Peabody & Co. will get them, but when they want to bring some semblance of modern civilization into their communities they plead with these same blood monsters to help rescue them from barbarism.

These financial organizations are not local to New York or Boston. Their activities extend to the whole of the United States. They reach into the small community and across the seas; they bring prosperity and the blessings of civilization to the backward States and localities awaiting development; they gather together and invest the united capital of the whole Nation with the attending benefit of all of the people of the country.

When New York, howsoever feebly, demurs to the growing and disastrous practice of Federal aid in State activities the cry arises that New York makes its money out of the other States and therefore should not protest, but there seems to be a prevalent tendency upon the part of the other States which are the recipients of the bounty of New York to "bite the hand that feeds them."

In the anxiety of some gentlemen upon the floor of this House to pose as valiant knights engaged in hand to hand contest with money-thirsty monsters, they are willing that the State and national banks shall reap greater profits and build up greater surpluses. They would not spoil the picture by requiring the banks which take a greater toll from the people than anyone else to use a portion of it for the alleviation of the burdens of taxation from the backs of those who help to contribute to the swelling of bank surpluses.

Theoretically it is proper that State banks, national banks, private banks, financing institutions and private individuals loaning money for a profit should be upon the same basis of taxation. For untold years tax experts endeavored to do this very thing but failed. Many, many methods were tried to ferret out the concealed wealth of the country without success.

There is no possible objection to the taxing of the capital engaged in competition with banks, but we should be practical and not theoretical. It might be perfectly feasible to ferret out just how much capital is employed by the great financial institutions which have been inveighed against with so much gusto, but if you tax them upon their capital is it also necessary, in order to prevent inequality, to find every individual in the State who is using his capital or any portion of it to the same end?

The reason advanced for not permitting State and national banks to be placed in a separate class for taxing purposes is that it would be giving the power to States to tax the national banks out of existence. But why this sudden fear? No one seemed to think about this danger before some astute lawyer raised the question as to whether "other moneyed capital" did not extend beyond the capital used by banks. For 20 years the State and national banks in New York State have been taxed as a separate class. During all of this time there was no such fears as are now expressed that they were discriminated against.

The whole proposition seems to be that the banks desire to escape taxation. They have succeeded in securing an interpretation of words different than the heretofore accepted definition, and having secured their point of vantage they are beating tomtoms and raising wild fears of destruction to the banking system of the country by wolfish legislatures. I can picture the gleeful chuckle of the banker as he contemplates the shifting of taxation from himself to the backs of the people who are contributing to his pile of gold through many methods that partake of the nature of usury. I can contemplate the satisfaction of the farmer when he appreciates the fact that the village banker is going to load his part of the burden of local taxes onto his patrons and enjoy his profit from loaning money to them free and clear upon the theory that "If you can't get the other fellow, you can't get me."

It is perhaps not considered proper to discuss legislation contemplated by the gentlemen at the other end of the Capitol, but inasmuch as the etiquette has already been violated a little more violation will do no harm.

The Senate committee to which the House bill was referred has reported a substitute which provides for taxation of the shares of national banks in one of three ways:

1. By taxation of shares, provided that "the rate of taxation shall not be higher than the rate applicable to other moneyed capital employed in the business of banking within the taxing State," and provided further, that "said rate shall not exceed the average of the rates applied in said State to shares in mercantile, manufacturing, or business corporations doing business in said State or in such of said corporations as are taxed therein."

2. By including dividends derived from shares in the taxable income of an owner or holder.

3. Taxing the net income of the bank, providing that the rate of taxation upon the net income shall not be higher than the highest of the rates imposed by the taxing State upon the net income of mercantile manufacturing or financial corporations doing business within its limits.

Inasmuch as the time is limited within which Congress can act to give relief to the situation that is causing great confusion throughout the whole country I believe that it would be wise for the House to study the proposal of the Senate so as to be in position to act speedily in the event that the Senate passes it and sends it to the House. So far as New York State is concerned the settlement of the controversy is of vital importance to every community, as the tax is a local tax and the tax status of every village and town will be in confusion until it is settled. The question is a perplexing one because of the different methods of taxation in vogue in the various States of the Union. So far as I can see the House bill offers no relief to New York.

The Senate bill is a vast improvement over the House bill. The House bill gives no relief, but adopts a definition of the Supreme Court of other moneyed capital.

Mr. SNYDER. Will the gentleman yield?

Mr. MACGREGOR. Yes.

Mr. SNYDER. Does the gentleman understand that many banks are paying the taxes?

Mr. MACGREGOR. They always did pay the taxes without protest.

Mr. SNYDER. And many banks have paid it since the decision?

Mr. MACGREGOR. Yes; but the big banks have been paying it under protest.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. Sisson. Mr. Chairman, I yield 45 minutes to the gentleman from New York [Mr. COCKRAN].

Mr. COCKRAN. Mr. Chairman, a speech delivered here a few days ago by the gentleman from Georgia [Mr. UPSHAW] embodied accusations of a very grave character against Members of this House. It charged them not merely with commission of lawless acts but with having made a building furnished by the Government to facilitate our task of enacting legislation the theater of gross violations of law. I have not taken the floor to answer that imputation. The ordinary presumption of law that public officers have performed faithfully their full duty surely extends to the building in which these duties are discharged and assumes that it is always occupied for the purpose that caused its erection. That particular speech, as far as I am concerned, which began with a rhyme and was continued without logic to a conclusion without reason, is completely answered by stating that doubtful as is the quality of its opening verse, yet nevertheless there was more poetry than truth in the whole production. [Laughter.]

But, Mr. Chairman, it was said by Herbert Spencer that as there is a soul of good in things evil, so also is there a soul of truth in things that are themselves untrue. And the late Monsignor Hugh Benson, as profound in philosophy as he was eloquent in speech, insisted that it was this soul of truth in a false statement which gave it any force whatever. A statement wholly untrue, he said, would fall completely stillborn from the lips that uttered it and never get into circulation at all. Now, even this speech of the gentleman from Georgia contains a soul of truth, and it is this; that so far prohibition has utterly failed to prohibit. All efforts to enforce it in certain localities have resulted in failure so complete as to evoke the extraordinary denunciations which the gentleman from Georgia scattered right and left on this floor.

Mr. Chairman, there is much stronger and much weightier testimony than that of the gentleman from Georgia to the completeness of this failure to enforce prohibition. It is the statement of the President that disregard of the eighteenth amendment and of the laws passed to enforce it has become so

widespread and so open as to constitute a grave national scandal.

Now, Mr. Chairman, the bootlegger and the other sinister elements which have been called into existence by futile attempts to enforce this measure are regarded by most people as sources of amusement. I view them in a very different light. I think we have here one of the gravest conditions that ever confronted the American people. Persistent disregard of law by persons not habitually lawbreakers, who belong not to the class from which lawbreakers are recruited but to the best elements of our society, is a calamity so grave that unless it is remedied speedily and completely the authority of our Government will be undermined and its very existence seriously imperiled.

Everyone will admit that unless respect for the law be restored obedience to law is impossible. How is it to be restored?

Respect for law can not be restored by force. It is the unbroken lesson of all history that no law can be enforced in any locality against the opposition of a large majority of its inhabitants. And for that reason in certain localities of this country the prohibition amendment can not be enforced; even though its enforcement be attempted by all the resources which this Government can employ. Whether this be morally right or wrong, whether it be politically desirable or undesirable, it is a fact, I repeat, capable of demonstration. And as such it must be faced by the lawmakers into whose hands in large degree the task of providing for the safety of the country is committed.

I doubt if any gentleman here in his heart believes that this law can be enforced. History teems with instances of attempts to enforce obnoxious laws by governments in different parts of the world, and it records the failure of every one. It also tells in lurid characters the evil results of these attempts, constantly repeated through all the ages, always unsuccessful, but often causing the ruin of the governments that undertook them.

Mr. Chairman, our own country became free—it overthrew the authority of England—because of an attempt to enforce upon the people of the Colonies a statute, lawfully passed, entirely constitutional, but which was in conflict with their customs and against which their patriotism revolted. The great parliamentary revolution in England, which subverted the English throne and cost an English king his head, was caused by an attempt to enforce payment of ship money, a perfectly lawful tax—so declared by a majority of the 12 judges of England assembled in solemn tribunal—but which the people regarded as unjust and refused to pay. And in the domestic chronicles of every nation we read again and again of statutes passed with all proper formality, but disregarded generally, and of no actual authority whatever.

A great lawyer—I think the greatest of his time, if not the very greatest who ever adorned the professional life of this country—the late Mr. James C. Carter, for many years the undisputed leader of the American bar, devoted the last seven years of his life, after he had retired from active practice, to writing a series of lectures for the Harvard Law School upon the philosophy of law. The main proposition underlying them was that all law is merely custom, that no statute can have the force of law which does not enforce customs already established in the locality affected by it.

In every community there are some few elements hostile to the views of the majority and disposed to resist their customs. The function of law as he defined it was to impose on this recalcitrant minority obedience to customs already established by the great majority. Of course, he did not include in this definition of law statutes providing for what has been aptly called municipal housekeeping—the building of bridges, the cleaning of streets, the delivery of letters, and other facilities for developing commerce and promoting the general comfort. But every attempt to regulate by statute the relations of men toward their government or toward each other which did not embody a custom already established he held was incapable of enforcement. Instead of producing order, it was always a source of confusion and disorder. Surely no greater illustration of that truth can be found than in the experience of our own country with reference to the fourteenth and fifteenth amendments.

Mr. Chairman, the President has announced his intention of enforcing the eighteenth amendment by all the power that he can command. I am glad of it. I am glad the attempt will be made, because I believe that the result will be another demonstration of the utter futility of attempting to control the customs of men by enactments placed upon the statute books. He has asked, I believe, for \$8,000,000 to carry out this purpose. I have voted for it. I would cheerfully have voted him \$80,000,000 to prosecute the experiment to its utmost conclusion. But after he shall have employed all of the agencies with which \$8,000,000

or \$80,000,000 can supply him, will he have any greater resources at his command for this purpose than were actually invoked to enforce the fourteenth and fifteenth amendments?

I suppose there are some gentlemen here—I know there is one—who can recall the days after the Civil War when the fourteenth and fifteenth amendments were added to the Constitution, and all the power of the Government was exercised to enforce them. Not merely was it attempted to enforce them, but for a while they actually were enforced. The negroes were given the suffrage and they actually exercised it. They had all the power of government in their hands. They controlled the legislatures, the courts, the police, and the executives in the Southern States. And back of all these was the National Government in all its branches—both Houses of Congress, the Federal judiciary, the Army, and the Navy—every element and force that civilized government could organize, and all failed.

The amendments perished of their own weight. They are a dead letter in the States which were opposed to them. The negro is excluded from the suffrage. Over the fourteenth and fifteenth amendments the waters of defeat have rolled, and I believe their authors would rejoice if the waters of oblivion covered them also.

Mr. Chairman, since Mr. Harding can summon to his aid for the enforcement of this provision no agency that was not employed to enforce the fourteenth and fifteenth amendments, the results of his efforts will be exactly the same. The only question is how soon will the people of this country decide that their laws should conform to the customs of the people. It may take a long time, and during that period we will have bootleggers busier than ever; we will have them reaping larger profits; we will have people amusing themselves with violation of the law and treating it as an excellent source of humor and jest, to the grievous injury of morals and order. But when the demoralization which such conditions must necessarily produce shall have been remedied by abandonment of this attempt to invade the domain of personal liberty, then I think the people will turn to discovering the soul of good in the prohibition movement, which it undoubtedly contains, and to making it available for the welfare of society.

That it is utterly impossible to enforce the eighteenth amendment, no matter what agencies are invoked, may possibly be disputed by some gentlemen here. Well, by waiting we shall soon see. The appropriations we have made indicate that the experiment of attempting to enforce it by all governmental agencies will be pressed to the end.

Meanwhile I think this much is absolutely certain: If the eighteenth amendment should ever be made effective it will not be by this Government—not by this republican Government of ours—but by another Government which will be developed and called into existence by employment of the agencies which must be invoked to make enforcement successful. For the very idea that underlies this amendment is utterly repugnant to every element of democracy. And, therefore it can be enforced only by subversion of the Government, which is the embodiment of democracy.

What is the object, the real ultimate object, of prohibition? By the declaration of its advocates and its supporters themselves, its object is to make men good, to improve their morals. I do not think any prohibitionist will dispute that definition.

But this is precisely what no government can succeed in doing, and which no democratic government can undertake to do without violating principles that are absolutely fundamental.

Ever since government was established on earth some men have attempted through exercise of its coercive and punitive powers to improve the morals of people subject to its authority, and always with results the most distressing and, indeed, the most shocking in all human experience. Governments can not improve men. It is the task of men to improve governments. Government always reflects the quality of the men and women who are its subjects. Despotisms may and frequently do prescribe rules of conduct for individuals in all their avocations. Democracy can take no step in that direction without violating its essential principles so deeply as to imperil its existence.

It must be conceded—surely nobody will dispute—that the essential difference between a democracy and all other systems of government is that democracy assumes the people—not any number of them, or any class among them, but the whole people—are the safest depository of power. And this principle necessarily rests on the belief that the people—the masses of the people—are always governed by morality and love of justice.

All other governments are based upon the theory that men are naturally so debased and depraved that if each one were left free to dispose of his own energies he would refuse to

work; preferring to trust for his subsistence to plunder of his fellow men rather than to the labor of his own hands; and that if control of government were entrusted to all men its powers would inevitably be abused and perverted by the poor, who are always a majority, to oppression and plunder of the rich, who are always a minority.

Democracy, on the other hand, is based on the belief that men if left free to dispose of their own energies will work just as diligently and much more effectively for a share of what they produce—that is to say, for wages—than men have ever worked through fear of the lash; and if all are given an equal voice in the control of government its powers will not be perverted to the oppression of any, but will be exercised for the protection of all subject to its authority. In a word, democracy is built on faith in human virtue; all other forms of government on distrust of human vices.

Until the establishment of this Republic democratic government did not exist in the world. All the experiences of our national life prove conclusively that while the people, being human, are liable to error, yet a government controlled by them will come nearer to establishing perfect justice and to be administered with wisdom than any other that has ever been organized by civilized man. Never has a political experiment been crowned with such success nor blessed with such valuable fruits; nowhere is property so secure; nowhere is justice so impartial or so effectively administered; nowhere has prosperity been so general nor happiness so unclouded as in this land, whose Government rests upon faith in the virtue of all men.

But what is virtue? Is virtue obedience to law, enforced through fear of punishment? If that be the case, virtue is most extensive and at its highest in the penitentiaries. [Laughter.] What is virtue? It is voluntary observance of the moral law. No conduct, however irreproachable, can have any claim to merit unless it be the product of free will. That man deserves no credit for going right who has not been free to go wrong. It is the exercise of free will in obedience to the law of justice—the law of Heaven—which constitutes individual virtue; that virtue which is the sole foundation on which free institutions can securely rest.

It is the very essence of the Christian moral law that while man is capable of sinking to depravity that is indescribable, so also is he capable of rising to improvement that is immeasurable; improvement so vast that God Himself could assume human nature, not the semblance of it, nor the appearance of it, but the substance, the reality of it, without any injury to His Divinity. All experience shows that not until he has reached the degree of improvement which Christianity has made attainable is man fit to support the burdens or enjoy the privileges of democracy.

It is also an essential feature of the Christian moral law that no man can be improved in morals by government or by any agency except himself. The Christian revelation was not given to a government. Not a word of it was addressed to a ruler, nor to a senate, nor to a committee, nor to an aggregation of men. Every word was addressed to the individual, enjoining him to effect his own improvement by observance of its injunctions. He is commanded to govern himself but to refrain from attempts to govern anybody else; to judge himself with severity but he must never assume to judge his neighbor. From the lips of Divine Gentleness words of reproach seldom issued, except to those who violated the injunction, Judge not, lest ye be judged; be not critical of the mote in your brother's eye, but be careful to take the beam out of your own eye. Who, then, in a state of Christian civilization has any right to judge the morality of my own conduct but myself? If I choose to abstain from liquor or any other indulgence of my own free will, it is creditable to me. But if I observe the same abstinence under terror of the policeman's club, I am entitled to no credit whatever.

Of course, no one can question the right of the State to enforce obedience to all laws enacted within the scope of its legitimate domain. What is that domain? Democracy holds that everyone has an inalienable right to a certain measure of liberty. To defend that right is the object for which democratic government is organized. What is that measure of liberty? It is that measure which each man can enjoy equally with every other man. While government remains within the natural scope of its authority, leaving each man or woman free to do anything that does not injure anyone else, its laws will be obeyed without invoking any force to make them effective. But every attempt to enforce morality upon people through government has always been productive of disorder, frequently of the worst cruelties that have ever disgraced human nature.

Man has always been capable of doing violence to his brother; of killing him under the influence of passion. But where appetite, lust, fear, thirst for vengeance, moves the slayer he is

always satisfied by the death—the prompt death of the person standing in the way of gratifying his desires. He never becomes so perverted from all the instincts of humanity as to torture any man in addition to killing him, except under one influence and that is of fanaticism. And what is fanaticism? It is a purpose to make men good, not according to their own conscience and by their own free will but according to some rule prescribed by others. And this fanaticism, I repeat, has been the source of the most horrible enormities that have ever disgraced humanity.

I have read in history of awful cruelties practiced by some men upon others, but I have failed to discover a single one that was not the fruit of fanaticism—the attempt of some men to regulate by law the conduct of others. And if this eighteenth amendment can be made effective, to what extent may not government go in regulating every action of our daily lives?

There is nothing that can be said in favor of this scheme to regulate what men may drink that would not apply with equal force to regulation of what they may eat or what they may wear or what they may do. There are, indeed, some who seek to justify prohibition as a measure to guard public health, claiming that the use of alcoholic stimulants in any form is dangerous to physical well-being. I deny it. There is no evidence whatever to show that the use of light wines and beers has ever injured anyone, certainly none sufficient to outweigh and overbalance the unbroken experience of mankind in all countries and in all centuries. But, however this may be, it is certainly true that alcoholic drinking has not caused half the injury to health that has been caused by excessive eating. Doctors differ about the effects produced by use of intoxicants, but they are absolutely unanimous in telling us that most men are actively digging their graves with their teeth long before the sexton becomes active in their behalf with a spade in the cemetery. About the truth of that statement I think there is no doubt whatever. Are we next to have a constitutional provision prescribing what men may eat? It would be just as reasonable, just as justifiable, as this eighteenth amendment. And when our food as well as our drink is regulated by law, there will still remain the fact that irregular hours of work is a fruitful source of physical disorders. How long will it be before the hours at which we are to rise and the hours at which we must go to bed shall be fixed by statute—the hours when we shall work and the hours when we shall rest? There are ten thousand times stronger justification for such enactments than for prohibition. Because in the case of unwholesome food and irregular hours there can be no question of the evil consequences they bear, while with respect to light wines and beers there is, as I have said, no evidence that anybody was ever hurt by them. And I do not think there is any evidence that anybody ever got drunk from use of them.

And then after our food and drink and our hours of labor are fixed by law, there will still remain the character of our occupations for our Government to regulate. For it is common knowledge that some employments are more trying to health than others. And when all these are regulated and prescribed by statute there are a great many people who believe that clothing—especially feminine clothing—is frequently a source of physical ills. And so we will probably have a statute prescribing the length of the female skirt, and perhaps the degree to which a lady may expose her shoulders to the admiration of her friends. And then, when all these measures are enacted, the conditions produced by them will not be original. There is nothing original in vice or in folly, as I have often pointed out on the floor of this House. We will have simply extended the domain of the penitentiary over the whole field of society. For all these things are regulated in the penitentiary. There the hours of labor, the nature of employment, the food, the clothing of its inmates—all are prescribed and determined by the Government.

What shred of democracy, what fragment of freedom would remain to a people in a country governed by such laws?

Mr. Chairman, I have said that attempts to regulate morals and improve them by statutes—well intentioned though they may have been—have caused the worst cruelties, the blackest persecution which stain the record of humanity. And this is mentioned not as an abstract reflection but as a warning against dangers which are very real and ominously imminent. Continued attempts to enforce prohibition—persistence in the effort to make men good by law—must in the very nature of things bear the same fruit here that it has always borne. It will light the fires of persecution in this country as it lit them in Smithfield more than three centuries ago and as it has lit them in every country where similar attempts have been made. Nay; it has already lighted them.

At the Democratic National Convention two years ago, in an effort to have a demand for modification of the most drastic

features of the Volstead Act embodied in the party platform, I ventured to point out that attempts to regulate morals always resulted in aggravating the very immoralities they were intended to suppress, while at the same time they led inevitably to perpetration of enormities that were hardly conceivable. That statement was derided at the time as rhetorical extravagance. Well, the possibility against which I then sounded a warning is to-day an actual condition in our country.

In the newspapers during the last few days there have been accounts of a tragedy in Louisiana so unspeakably horrible that a great many of us found it difficult to believe that such enormities could possibly be perpetrated by human beings. In fact, a leading article in the New York Times, after the bodies—the mutilated bodies cast into Lake La Fourche—had been found and after the frightful injuries which had been perpetrated upon them before death had been proved by overwhelming evidence, expressed disbelief in the whole report as absolutely irreconcilable with human nature. And that statement was perfectly natural. It is irreconcilable with human nature except under the influence of fanaticism. Fanaticism—that is to say, government regulation of morals run mad—it is now clear can produce enormities worse than any ever yet perpetrated—so unspeakable that even human imagination can not conceive them.

I have mentioned the tortures with which we have become familiar through the study of history. I have read of Christians wrapped in cloths saturated with oil and then set afire, to light the footsteps of Caesar on his way through the streets of Rome to the temple of worship or the scene of festivities in honor of the gods. Why? Because Christian men and women refused to burn incense before some tutelary deity of the pagan world, and this was considered gross depravity by the law-makers of the time. To eradicate it from human society men and women of the purest lives and noblest characters were thrown to wild beasts, torn apart with red-hot irons, scalded in caldrons of boiling oil, roasted on gridirons, and all this, not by the rabble or the worthless, but by elements that were considered the best of the community. In later years the thumbscrew and the rack were employed with dreadful frequency, not to make men bad, but in a perverted notion of making them good.

I have seen at Nuremburg that metal figure known as The Maid, which when opened disclosed a chamber the sides lined with sharp spikes and these closing upon the victim of fanaticism made death as agonizing as it was slow. Yet in all history there is nothing recorded of ferocity and cruelty which parallels that hideous slaughter and torture in Louisiana. It excludes the torturers from all right to be classed among elements of humanity—to be classed even with the brutes. For the brute does not destroy his fellow brute and prolong the killing to enjoy his dying agonies. He kills that fellow brute because he fears him, or because he wants something which that brute holds or threatens to take; and when he kills him he does it as fast as he can, just as a human being perpetrating murder to gratify any ordinary passion or impulse accomplishes the crime as rapidly as possible and then in frantic haste flees from the scene of it. It is only under the influence of fanaticism this fanatical desire to make men good, not according to their own free will but according to the notions of others, that such fiendish enormities could have been possible as have been perpetrated here in our own country by men calling themselves apostles of morality and order. This horror can not be adequately described in words, because words are evolved from experiences, and, thank Heaven, the world has hitherto been free from any such experience. It can not be called savage, because no savage ever inflicted injury so fiendish. It can not be called bestial without grave injustice to the beasts. It can only be called Ku-Kluxism and left at that. [Applause.]

This is not the time nor the place to denounce in adequate terms that particular manifestation of unparalleled human ferocity. I mention it only to emphasize that these fiends in human shape who sank to such awful depths of ferocity were not the evil-disposed people of the community. They are said to be the best people. And I do not find, according to the testimony, now coming out that they ever undertook an act of violence for any other reason than to enforce what they conceived to be the moral law. A man is flogged or killed or tortured in ways that can not be described with decency because he is a bootlegger. A woman is taken from her home and sent adrift in the woods and the darkness of night because they think her morals are below the standard which they have prescribed for the regulation of human conduct. There is not a suggestion that the perpetrators of these outrages were moved by any desire to make men bad according to their notion of morals. And, indeed, it would have been impossible for any human beings—for any beings with the semblance of humanity—to have perpetrated these diabolical

enormities if they had not been under the mistaken but grossly perverted impression that they were advancing the cause of morality.

Mr. Chairman, this warns us, or should warn us, that Almighty God, who has specifically reserved to Himself the right to punish for violations of the moral law, will not suffer any man or society to usurp His authority. From the dawn of creation men have attempted to invade His jurisdiction in this respect, and the result has always been that they have turned into fiends by the awful deeds they perpetrated. It must now be perfectly clear that when the State or any of its members invades that domain which God Almighty has reserved for Himself, by undertaking to enforce any notion of morals on human beings by the club of a policeman, hideous results inevitably follow, of which this Louisiana butchery and torture are the latest examples.

Mr. BLANTON. Will the gentleman yield?

Mr. COCKRAN. Certainly, but I may have to ask for a little more time.

Mr. BLANTON. Concerning the nonenforcement of the Volstead Act, is not the great trouble, after all, in the fact that too many distinguished Members vote \$3,000,000 to the President to enforce the law and then place \$80,000,000 of obstacles in his way by obstructive speeches?

Mr. COCKRAN. I know of no such obstruction that could be created by any speech. The obstacle is not one that can be created. It is inherent in the scheme itself, as I have been endeavoring here to point out. [Applause.]

Mr. Chairman, the interruption of the gentleman from Texas has somewhat diverted the current of my argument. I will endeavor to resume it, but I may have to ask the gentleman from Mississippi to give me a little more time.

Mr. Sisson. How much time has the gentleman consumed?

Mr. COCKRAN. About 35 minutes, I think.

The CHAIRMAN. The gentleman from New York has six minutes remaining.

Mr. Sisson. I will give the gentleman five minutes more.

Mr. COCKRAN. I will perhaps be able to get through sooner than that.

Mr. Sisson. I will give the gentleman 10 minutes, if that will satisfy him.

Mr. COCKRAN. I ask for additional time, not to satisfy me but to satisfy the House so far as I can.

Mr. Chairman, I shall endeavor to utilize the additional time placed at my disposal by the kind forbearance of the gentleman from Mississippi, in pointing out the soul of good that can be found in this evil thing—the attempt to control men's morals and men's individual actions by the operation of law and the policeman's club. Here we can get a great deal of light from the experience of the Southern States in dealing with the fourteenth and fifteenth amendments.

It is not necessary to remind gentlemen that the fourteenth and fifteenth amendments have not been nullified throughout the entire country. In the vast majority of States they are in full operation now. Nobody would think of suggesting repeal of them. Why? Because in these parts of the country they do not conflict with any custom or usage or patriotic belief of the people. In the South conditions are different. There opposition to them is general and insuperable. I have already mentioned the failure of all attempts to enforce them. Let me ask attention now to the results of which these attempts caused more than two generations ago.

There are a few here probably who can recall the depth of that bitter contest. For 12 years the whole white people of the Southern States were diverted from the great task of restoring their industrial system to the vastly more urgent task of overthrowing and expelling the carpet-bag governments which were sapping their prosperity and threatening their civilization. When that was accomplished I doubt if in the whole history of mankind there was ever such a metamorphosis as followed immediately. Never had any people been called upon to face such a difficult situation. Not only had they been through the most devastating war ever waged, their fields laid waste, their towns destroyed, the majority of young men capable of labor either maimed or killed, the whole industrial system subverted by enforced change almost in a night from slave labor to free labor. But when at last the carpet-bag governments were overthrown that country blossomed like a garden as if at the touch of a magician's wand.

Mr. Chairman, that splendid result was achieved because no further attempt has been made to enforce these constitutional provisions in the States where they are repugnant to the conscience and desires of the community. Would the gentleman from Texas [Mr. BLANTON] or the gentleman from Georgia [Mr. UPSHAW] restore now the conditions that were

abolished by overthrow of the carpet-bag governments? Would they restore suffrage to the negroes of the South, as the Constitution demands? Would they even go the lesser distance and support the proposal of the gentleman from Massachusetts [Mr. TINKHAM] to reduce the representation from Southern States where negroes have been excluded from suffrage, as the Constitution specifically directs? That is an injunction laid upon the Congress. Will the gentleman obey it? Will he lead the way in giving it force? No; he will not. I will answer for him.

Mr. BLANTON. I shall answer for myself if the gentleman will permit me. The fourteenth and fifteenth amendments are in force in the State where I live.

Mr. COCKRAN. Anything is possible in the State of Texas; the gentleman himself furnishes conclusive evidence of that. [Laughter.]

Mr. Chairman, the gentleman would not try to enforce these provisions and he ought not to try. Nobody would enforce them. Not even a Republican Congress would venture to renew the experiment that failed so dismally. Few Republicans here will vote even for Mr. TINKHAM's bill punishing the South by a reduction of representation in Congress and in the Electoral College for the nullification of these amendments. Why? Because that nullification is justified by its results. It has borne the most valuable fruits that perhaps have ever yet justified a spontaneous movement among the people. The same will prove to be true with reference to this amendment. In a great part of this country prohibition will enforce itself. It embodies the judgment and conforms to the customs of the people in those localities. But in others it is repugnant to the people, and there it is not enforced and never can be. Attempts to enforce it may continue, causing confusion, increasing bootlegging profits, widening disrespect for the law and disobedience to it, but it will never be enforced—never can be. The whole history of the human race proves that to absolute demonstration.

What then will be the outcome of these conditions? Where is the soul of good in these futile efforts to make the eighteenth amendment effective all over the country? The soul of good in it all is the disappearance of the saloon.

It needs no provision of law to effect suppression of this serious menace to order and blot upon decency.

It is already effected—not by reason of the eighteenth amendment, but by a public opinion that is practically unanimous. The position taken by Governor Smith, of New York, in his last campaign with respect to this question will become, in my judgment, the position of the entire country. He seeks to harvest for the public welfare this general disposition to suppress the saloon. He pledges himself that, so far as he can control it, the saloon, which has already disappeared, shall never be suffered to return. Suppression of it is entirely within the legitimate powers of the State. It invades no right of personal liberty, because the State—the government—has always the right to control its markets, and every shop is a feature of the public market. The State has the absolute right to declare that the agencies which it furnishes for the improvement of commerce shall not extend to anything to which it does not wish to extend them. And if the State declares, as it has declared, that they shall not extend to the saloon—that the saloon may not abut on any of its highways—then the saloon is doomed. By the saloon I mean places where people consume liquor purchased on the premises. It was the consumption of liquor at the place where it had been purchased that has caused practically all the intemperance which good people have deplored. There may be some instances in which a man consuming whisky or brandy in his own house and at his own table got drunk, but if there be, such instances are exceedingly rare. The restraining influence of the family is generally sufficient to prevent excess when the temptation to false conviviality is absent. But however this may be, I challenge anyone to show a single instance where men have got drunk on wines or beers. To a great number of people wine or beer is as much an article of food as the meat and bread they eat. And they will have such articles, because they are free men, and, being free, they can not be deprived of any right which is an essential feature of freedom while they remain Americans. To insure them peaceable enjoyment of this elemental right by relaxation of the Volstead Act in its more drastic provisions is the object to which the New York Democracy was pledged.

I am sorry that Governor Smith's name was mentioned here the other day. His task in dealing with this question is an exceedingly difficult one. And it is made more difficult by the extraordinary excellence of his former administration. He must in this as in all other matters try to match his own record—that record which won such popular approval after

two years of actual service as chief executive that 1,000,000 votes were cast for his reelection in 1920 beyond those polled by the presidential candidate of his party. To fall below that record will be failure; to match it will be success; to exceed it would be a miracle.

We are not looking for miracles, although we are permitted to pray for them and therefore to hope for them. And if he succeeds in solving this problem in a way to win popular approval—and thus solve it permanently—it will be a miracle—perhaps the greatest of recent political history.

I have no right to speak for him. I know nothing of his plans or aspirations for the future beyond this: In a conversation with him just before he left New York City to assume, or rather to resume, the governorship of the State, reference was made to the fact that his name had been widely mentioned in connection with the Presidency, whereupon he said:

It would be ridiculous to decline publicly or privately a nomination that never has been tendered me and that very probably never will be. This much, however, I can say. Anyone who now talks to me about being a candidate for the Presidency may be well disposed but he is not well advised. I have here a task greater than my abilities—certainly difficult enough to demand the utmost exercise of them—and no man who suffers his mind to be diverted from the task before him to consider the possibility of attaining some other office can ever discharge effectively the duties actually at hand.

In the campaign of last November his position with respect to prohibition was made absolutely clear in his speeches and in the platform on which he stood without equivocation or reservation of any kind. It is this: The saloon has gone.

He stands pledged to invoke all the powers of government and of civilized society, so far as he can command them, to prevent its reappearance. And this means that the chief source of intemperance is removed.

With respect to light wines and beers, as I have said, the custom in certain parts of the country will continue, no matter what Congress may decree. By making the laws conformable to the customs of the people in this respect, there can be little doubt that drunkenness will be wholly prevented, temperance promoted, even total abstinence rendered ultimately possible.

On the other hand, persistence in attempting to change the customs of the people by coercive laws will aggravate drunkenness, retard the growth of temperance, and work serious if not irreparable injury to the supremacy of law and the safety of society.

If Governor Smith's program for New York should be extended to the whole country it would not seriously change conditions except in the States containing large cities. And in these communities the change would operate to make the whole body of law popular, and therefore effective. The liberty of each individual would be made secure by recognizing his inalienable right to be governed in matters of morals by his own conscience, and at the same time the authority of the State, by confining every exercise of it within the domain which properly belongs to it would be absolutely unchallenged. The bootlegger and every other violator of the law will be eliminated and punished with the assistance of public opinion spontaneously and effectively expressed.

Is this a fanciful picture? Is prompt and universal obedience to law a fantastic dream that can not be realized? Or is it a result capable of attainment by enlightened statesmanship?

In the city of New York during the most crowded periods of the day, when it is difficult to pass through the highways, where every vehicle is struggling eagerly with innumerable others for every inch of space in which some advance may be accomplished, an attempt by one to get ahead by means inconsistent with equal justice to all would meet with immediate and general resistance. If continued it would lead to riot.

But there is one vehicle before which all will give way, not in obedience to any force but spontaneously, unanimously, instantaneously. At the very moment when each one is attempting to crowd forward with all the energies at the command of its driver all will draw aside at the sound of a bell signaling the appearance of a car that is not bearing a millionaire to his pleasures nor a merchant to his enterprises nor a magistrate to his duties but is speeding on an errand of mercy, bringing succor and aid to some victim of an accident, whose identity is unknown to any of those who are making way for it, undisclosed even to the driver and the doctor who are hastening to his relief. That ambulance needs no law to give it the right of way. If any misguided person should attempt to obstruct it for a minute, or try to take precedence of it, no policeman would be needed to clear the obstacle away. Every pair of human hands in the neighborhood would spring spontaneously to the throat of the recalcitrant driver and pull him from the seat on which he was trying to obstruct or delay the mission of charity and of goodness. There is no reason why all the laws

of the country, why every exercise of public functions, should not enjoy that same enthusiastic, spontaneous, irresistible support which is freely given to the ambulance. The disposition of this people is always sound. No higher standard of morals ever prevailed among men anywhere. Let us but respect in our laws the customs of our citizens; let us but give each one the right to do whatever he pleases—provided it does no harm to anyone else—let us realize the truth underlying our democratic system that to each individual must be intrusted the task of working his own moral improvement; and then this Government, like the ambulance speeding on its errand of mercy, will proceed on its errand of justice, facilitated and upheld by unanimous public support; the whole people gladly yielding to the laws of their country obedience as implicit as they yield to the laws of their God. [Applause.]

Mr. SISSON. How much time did the gentleman use?

The CHAIRMAN. The gentleman consumed 56 minutes, yielding back 4 minutes.

Mr. ANTHONY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. CRAMTON].

Mr. CRAMTON. Mr. Chairman and gentlemen of the committee, to-day the United States is closing its third year under national prohibition of the manufacture, transportation, and sale of intoxicating liquors, and at this time we have before us in this House three expressions as to the great, tremendous pending problem of law and order. The gentleman from Georgia [Mr. UPSHAW] made a speech the other day which has aroused the gentleman from Maryland [Mr. HILL] and the distinguished gentleman from New York [Mr. COCKRAN]. What was the speech of the gentleman from Georgia that has so aroused these opponents of enforcement of the law? Simply that law and order should prevail in this country, and that if there are any among the citizens of this Republic who hold a higher duty to respect the law and to obey the law than another it is you and I and other gentlemen, officials of the Government, who have taken a special oath to obey and support the Constitution and the law. [Applause.] So the gentleman from Georgia [Mr. UPSHAW] urged that Members of this House and other high officials should obey and support the Constitution. Then my friend from Maryland [Mr. HILL] made his speech filled with evidence of irritation in his gentle system because of this appeal for the enforcement of the law, and he called attention to a resolution that he has for an investigation of Mr. UPSHAW and his speech, of things he said Mr. UPSHAW has said that might disturb Members of the House or reflect upon them. I will refer no more to my friend from Maryland just now other than to call to his attention another speech made by another Member of this House, and I hope he will broaden his resolution to have an investigation made of it at the same time he investigates what Mr. UPSHAW said.

In the St. Louis Globe-Democrat of Wednesday morning, May 10, 1922, Congressman HILL, of Maryland, is reported as making this statement:

There is nobody as thirsty as a prohibition Congressman.

[Laughter.]

Mr. HILL. Mr. Chairman, will the gentleman yield?

Mr. CRAMTON. If the gentleman will permit, let me read the other one also. If the gentleman will permit, I have only 10 minutes in which to correct an awful lot of errors. I do not want to be discourteous. The gentleman's resolution drawn as I suggest will accomplish all he desires. I read:

HILL told of communications sent by Wayne Wheeler to Congressmen who vote as he desires. "He doesn't send them to me," he said, "but I have a friend who lets me see them in return for an occasional drink. There is nothing so thirsty as some prohibition Congressmen. I have had to quit keeping liquor in my office because so many of the prohibition Congressmen came to see me that I had none left for my wet friends."

[Laughter.]

Mr. HILL. Mr. Chairman, will the gentleman yield?

Mr. CRAMTON. I regret that I can not. I want to be courteous. The gentleman is so considerate of the reputation of his colleagues that he was willing last May to spread that broadcast throughout the country from some place out in Missouri. Then our friend, the distinguished Member of the House from New York [Mr. COCKRAN], has spoken to us in the very interesting, polished, and eloquent manner with which he always delights the House. He spoke of "the soul of truth," the difficulty of finding it in the mass of error. It occurred to me, as I heard the gentleman from New York, how error itself—plain, unvarnished, vulgar error—could be taken by one so gifted with eloquence and presented as though it were truth itself. [Applause.] The gentleman from New York urged that the eighteenth amendment must be nullified. He solicits its nullification on the ground that no law should be enforced in

any community unless it accords with the desires and appetites of that community. And still he turns with horror to Louisiana. If no law is to be enforced in any community unless it conforms to the appetites and desires of that community, the converse is true, that that community can enforce as its will what it wishes to be the law of that community. [Applause.] How could it be said by the gentleman from New York in his eloquent presentation of error, if that is correct, where can there be ground for criticism because some community of Louisiana sought in a horrible way to execute what was the sentiment of that community but not the law of the State or the Nation? Oh, how did we enforce the draft in time of war? Did we say to these communities at that time, "If this law suits you, send your boys to the war?" No. We passed a law affecting every community in this country. We can also require in time of peace that there be loyalty to the Constitution of the United States. [Applause.] I say that the normal mission of this great democracy is not war but peace, and that both in war and in peace we must defend our Constitution and the things that democracy stands for. But the gentleman argues that in war only, an abnormal period which is only subsidiary to times of peace, we can require subordination from every citizen and not in time of peace, and that each community can act by itself and a little community may defy the Nation. My little town in Michigan has as much right as the great city of New York to defy the Constitution of the United States. But that is no right at all for his town or for mine.

Mr. HILL. Mr. Chairman, will the gentleman yield for a question?

Mr. CRAMTON. I regret I can not yield. I will yield only for an express denial or confirmation of the statement I quoted from the gentleman, not for a statement.

Mr. HILL. I want to ask you—

Mr. CRAMTON. I decline to yield.

The CHAIRMAN. The gentleman from Michigan declines to yield.

Mr. CRAMTON. The gentleman urges that prohibition fails to prohibit and then lends his eloquence and his prestige to the nation-wide effort to cause it to fail. He says the eighteenth amendment—the prohibition amendment to the Constitution—is repugnant to the spirit of our institutions. If I understand the lesson that the fathers of the Republic drew from history, it was that in all history those who have controlled a government have always controlled it primarily in their own interest, and so they established here a government in which all should control the government, in order that the welfare and happiness of all might be the chief concern of that government. "Oh," he says, "it should be a government in which I am to have the liberty to go wrong." Yes; but God forbid that this democracy, founded to secure the happiness and welfare of all alike—God forbid that that government should have a part in establishing all over the country institutions to help men to go wrong. [Applause.]

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. CRAMTON. Mr. Chairman, may I have two minutes more?

Mr. SISSON. Mr. Chairman, I yield to the gentleman three minutes.

The CHAIRMAN. The gentleman from Michigan is recognized for three minutes.

Mr. CRAMTON. The gentleman from Mississippi is very kind. Overlooking some other things I thought to say—and I have put a whole speech into the discard to take this up—the gentleman from Maryland [Mr. HILL] is the chosen spokesman here of the Association Against the Prohibition Amendment, with headquarters at Baltimore. Their platform is "to get the Volstead Act out of the law and keep it out" and "endeavor to have the enforcement of the eighteenth amendment left to the several States." Well, he, as their spokesman—and likewise the gentleman from New York [Mr. COCKRAN], where the same association is much in evidence—are seeking to destroy the Volstead Act, the Federal enforcement act. There is in Maryland no State law whatever for the enforcement of the prohibition law. [Applause.] Yes; the gentleman from Maryland, who applauds, he and his friends oppose the enactment of any law in Maryland in reference to this. In the State of New York the gentleman from New York [Mr. COCKRAN] indorses the program of his party to repeal the State enforcement act.

Gentlemen of the House, the issue is clear before the country. On the one hand there are those who are friends of the eighteenth amendment and of law and order, who seek a strong Federal statute to cooperate with their State laws where they are available.

We have the opposition of such gentlemen here as would repeal the Volstead Act and would obstruct the passage of any State law for its enforcement. On the one hand it is law and order, with the Constitution supreme. On the other hand it is disorder, anarchy, nullification of the Constitution. [Applause.]

Mr. STAFFORD. I yield 10 minutes to the gentleman from Iowa [Mr. TOWNER].

Mr. TOWNER. I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent to extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. TOWNER. Mr. Chairman, the subject of farm credits is one of the important matters that I think it is practically agreed upon shall be determined, in so far as possible, by the present session of Congress. Some time ago we established a Joint Commission of Agricultural Inquiry, composed of Members of the House and of the Senate, who entered into a most complete examination of the whole question of farm credits, and in a general way this is the result of their conclusions: They found that we had fairly satisfactory provisions of law by which long-time farm-loan credits were provided, and that under such provisions there had been a considerable reduction of interest, and that the system itself was fairly satisfactory, but recommended some amendments, which are now being considered and which will doubtless be passed upon before this session of Congress ends. The long-time credits extend from 3 or 5 years to from 30 to 35 years. Then we have, through the Federal reserve system, commercial credits which extend from 90 days to 6 months in some instances. This provides for the farmer as well as for the business man what may be called and classed as commercial credits. But the intervening period between the six months of the commercial credits and the long-time farm loans is not covered, and no provision is made with regard to it. This commission and all the farm organizations and probably most of the farmers of the United States join in asking that this omission be cured by this Congress. A bill was prepared which provided for a system of intermediate credits. It was introduced in the Senate by Senator LENROO and in the House has been introduced by Mr. ANDERSON. It is a very complete bill and covers the subject in a way generally satisfactory. However, there are some difficulties with regard to the bill that ought perhaps to be considered by the House before they come to the consideration of the bill itself.

The main objection to the bill as it was introduced consists in the fact that the intermediate farm-credit system can be neither considered as a commercial system—and ought not, therefore, to be committed to the Federal reserve system—nor altogether considered as a farm-land loan system. Although the bill which was introduced in the House by the gentleman from Minnesota [Mr. ANDERSON] and in the Senate by Senator LENROO carries the control of the intermediate system which they propose by the Federal Farm Loan Board, it was recognized by all who have given careful thought to the question that that probably ought not to be done if it can be avoided. The farm-loan system, based upon mortgages on real estate, is an entirely different proposition in its essentials from the intermediate credit system, which must neither be commercial in its nature nor be founded on mortgages or long-time loans on real estate security. In this bill there is proposed a system of securities and guaranties which perhaps will be fairly satisfactory. The general system for intermediate credits is very much like the system of long-time farm-loan credits, but the security is different. The debentures and bonds, if you may so call them, which are to secure the money that is to be loaned by this intermediate credit system, will be a different class of securities. They will require a different method of adjustment and a different method of administration. So it has been proposed and very strongly advocated by some of our agricultural associations, especially the Farm Bureau, that there should be a different board for passing upon the intermediate credit system, and this has been formulated into what may be considered as amendments to the original Anderson bill.

It was thought, however, that if the changes proposed were introduced as amendments their relation to the system could not be well understood or fully considered, and that the changes proposed could be better understood and considered if a bill embodying the proposed changes could be presented for consideration. This has been done, and yesterday I introduced a bill which carries the changes proposed, and it is now H. R. 13806. This bill in general terms provides that there shall be an intermediate farm-credit board which shall consider and pass upon this particular class of credits. However, the act is not to be

administered by separate organizations, but the administration of the act is committed to the Federal land banks scattered throughout the United States. The changes from the Anderson bill may be said to relate to the primary administration of the act, to the management of the ultimate securities, to the determination of those things that constitute the foundation upon which not only the loans shall be made but also the foundation and the security upon which the bonds are to rest that are to be issued to secure the funds for the system. So I have introduced this bill, and I ask the careful attention of those who are interested, and I hope all will be interested in this proposition before we are to consider—as I hope we will soon consider—the question of legislation for intermediate farm credits in connection with the bill introduced by the gentleman from Minnesota [Mr. ANDERSON]. [Applause.]

Mr. Chairman, I wish to submit as a part of my remarks, under the permission given me, a statement regarding the matter which has been prepared by the Farm Bureau Federation, and ask that it be considered as a part of my remarks.

The statement is as follows:

BRIEF FOR THE ESTABLISHMENT OF A SEPARATE FEDERAL BOARD TO ADMINISTER INTERMEDIATE CREDITS ACT.

There are only three solutions offered to the problem of administering the intermediate credits act. The first is to have this function through the Federal reserve system; second, to have it function through the Farm Loan Board; and third, to set up a separate board which shall supervise the working of the system.

The difficulties in extending this credit directly through the Federal reserve system are such that this method has been practically abandoned as a solution.

The Farm Loan Board has an entirely complete and separate function to perform. Their activities are solely connected with the safety of loans based on the absolute security of land values over a long period. If the intermediate credit system is to serve agriculture in advancing credits for production and orderly marketing of crops and the raising of live stock, it must be administered from an entirely different viewpoint than that under which loans based on land values over long periods of years are made. Furthermore, nothing should be done to in any way complicate the issuing of the Federal farm loan bonds based on this real estate, and a distinct difference should be made between the Federal farm loan bonds and the debentures or bonds to be sold on the basis of intermediate credit security. The two systems should be kept as distinct as possible.

We have attempted in the proposed amendments to the Lenroot-Anderson bill to utilize the already established Federal land banks for the purpose of the distribution of this credit, and at the same time provide a new head, which we have called the Federal farm credit board, which will supervise this new system of intermediate credits.

On page 2 of the bill, section 2, the Federal farm loan act is amended so that it "may be cited as the Federal farm loan and credit act." Then, we have left the administration of the act as set forth in Title I under the direction and control of the Federal Farm Loan Board, as it now stands, but we have placed the administration of the act under Title II, which deals exclusively with the intermediate credit act, under the direction and control of the Federal farm loan credit board.

Then, in section 3, on page 2, we have further amended the Federal farm loan act by inserting two additional sections, sections 201 and 203, and section 201 as set out in the Lenroot-Anderson bill then becomes section 203. Section 201 provides for the establishment of the Federal farm credit bureau, under the supervision of the Federal farm credit board, and the new board has been set up in exactly the same way as the Federal Farm Loan Board was set up, with such changes as make it deal with the new credit system. The Federal land banks shall report to this board a schedule showing the salaries or rates of compensation paid to the officers and employees of its farm credits department, and the Federal farm credit board will require examinations and report of the condition of the farm credit departments of the land banks and prescribe a standard form for the statement of the conditions of these farm credit departments.

Then, in section 202 we have provided for joint sessions of the Farm Loan Board and the farm credit board, to be called at the discretion of the Secretary of the Treasury or at the request of three members of said boards. This authority to hold a joint session is created for the primary purpose of allocating the expense to the proper board arising from the establishment of the farm credits departments of the various Federal land banks, but there may be other emergencies arising which jointly affect both systems which would require such a joint session.

Following these two new sections, we have kept exclusively to the wording of the Lenroot-Anderson bill, simply changing the jurisdiction of the farm credits department as set up in the Federal land banks from the Federal Farm Loan Board to the Federal farm credit board, and these are the only changes, other than the renumbering of the sections, until we come to section 203, new section 205, on page 6, line 11, when the \$5,000,000 capital is increased to \$10,000,000.

Section 204, on page 7, new section 206, provides for the joint session of the two boards to equitably apportion the joint expenses incurred, and further provides that the Federal farm credit board shall assess this expense so determined against the farm credits department; and in line 14 on this page strike out the words "any additional personnel in" as unnecessary under the changed supervision.

In line 19, page 7, we have provided that the capital stock held by the Government shall be entitled to no dividends; this is in accord with the present farm loan system, and we see no reason why the credit departments should be handicapped by this expense, which is not assessed against the farm loan system.

We realize that the particular objection that may be raised to this solution of the problem by those who have not familiarized themselves fully with the activities and functions provided in the act would be that we are creating two masters for the Federal farm loan system. This criticism is not borne out by an examination of the functions of the separate departments in that, while the facilities of the Federal land banks are utilized, entirely distinct and separate departments with distinct and separate functions are set up in this bill, and in no way are their activities associated with those of the Federal land banks in their long-time mortgage lease but deal solely with the new inter-

mediate credit system; consequently there is no overlapping in the Federal land banks, and the new board set up in Washington has absolutely no jurisdiction over the activities of the Federal land bank with regard to the long-time loans, nor does the farm loan system have any jurisdiction over the farm-credit departments of the Federal land banks; so that we have two distinct and separate systems, simply functioning through the one existing agency, the Federal land banks. It is difficult to give any credence to the argument that such joint activity can not function properly when an examination of our present Federal reserve system shows a complete analogy of our proposed plans. For instance, the Federal reserve bank has two distinct functions to perform. One is that of a fiscal agency, and the other is its banking function. These Federal reserve banks, acting as fiscal agency, are directly and completely under the control of the Secretary of the Treasury, and the Federal Reserve Board has nothing to do with the fiscal agency in the Federal reserve bank. The other function of the Federal reserve bank is its banking function, which is directly under the control of the Federal Reserve Board, and the Secretary of the Treasury has nothing to say with regard to the banking functions of the Federal reserve bank. There are two separate and distinct functions of the Federal reserve banks, reporting to two separate and distinct heads. When we carry this further down to the national bank member we find that it is under the control of two separate and distinct heads, namely, under the Federal reserve bank and, also, it is supervised by and reports to the Comptroller of the Currency.

Furthermore, a State bank which is a member of the Federal reserve system is under the control both of the Federal reserve bank and under the State banking department of the State in which it operates, yet no one would hold that the Federal reserve system is handicapped by the fact that it is operating under distinct and separate heads, which it is.

We believe we have shown that this proposed solution is entirely feasible, is simple, and is preferable to the overlapping system which throws a double function on the Farm Loan Board, and the advantages are many.

When the character of the loans is carefully considered it must be remembered that they are so distinct and so different in their purposes that it would be difficult to supervise these joint systems under one head.

We further suggest, though we have not included as an amendment to the bill, that a Treasury credit should be provided for the use of the credit board which will be sufficient to enable the credit board to augment the credits in the districts as the need arises and will further provide the credit board with a substantial support when dealing in bank acceptances.

Mr. Sisson. I yield 30 minutes to the gentleman from Georgia [Mr. Wright]. [Applause.]

Mr. Wright. Mr. Chairman and gentlemen of the committee, I doubt if the gravity and seriousness and far-reaching effects of the destruction wrought by the ravages of the boll weevil in the South are very fully and generally appreciated. The boll weevil entered the United States from Mexico in 1892, and in 30 years has spread over the entire cotton belt, except the extreme northern boundaries of the cotton territory in Missouri and Tennessee. The official records of the United States Department of Agriculture show that from 1916 to 1920, inclusive, the boll weevil had destroyed each year from two and one-half to three million bales of cotton. In 1921 the quantity of cotton destroyed by the weevil, according to Government statistics, was over 6,000,000 bales, and in 1922 near that figure. In 1920 this country produced over 13,000,000 bales. In 1921 it made not quite 8,000,000 bales, and the crop of 1922 ginned up to January 1, 1923, was 9,598,907 bales, which practically includes the entire crop of 1922. In the past six or seven years, taking the average price of cotton, the producers have lost over \$1,000,000,000 on account of the ravages of the boll weevil.

I venture to read some excerpts from letters which I have from constituents in my district and in the immediate section in which I live. I read from a letter written by Hon. J. P. Jones, sr., under date of December 13, 1922:

"* * * The agricultural conditions in the remote rural districts are the worst that I have ever seen them since the days immediately following the Civil War. The average farmer in this section has not made cotton enough without the use of calcium arsenate to pay for the fertilizers he used. The average has been from one-half to one and one-half bales to the plow. * * * I can't see how the average farmer can make another crop at all next year. I have lost \$30,000 the past three years trying to hold and to care for my tenants and stock, hoping that conditions would change and react for the better. I will mention one illustration, and all others apply in the same proportion. The mule dealers in Newnan told me that there have usually been about 25 carloads of good young mules shipped to Newnan annually before the wreck hit us; but this year not a single carload has been received there. But on the contrary, this year 15 carloads of the best mules in the country have been shipped away from Newnan."

I now come to the second item of your inquiry—calcium arsenate and the methods of using it. I had 10 tenants this year who did not use calcium arsenate at all, and all they made won't pay for the fertilizers they used, which is a fair sample of this whole section where no poison was used. My boys and myself cultivated 250 acres in cotton with wages labor, and used calcium arsenate on all of it, strictly according to the instructions of our State board of entomology, applying it five to six times during July and August, using 25 to 30 pounds during the whole season per acre, each separate application being about 5 to 6 pounds per acre. We made five to six times more cotton per acre than any of our neighbors who did not use the poison. But for the unfavorable weather conditions here in July and August, we would have made a full crop. You know this was a very unfavorable year in this section for cotton.

I don't think the boll weevils damaged our crop but very little. If we had not made one mistake, by commencing with the poison two weeks too late, I don't think we would have had scarcely any

boll weevils. We commenced using the poison July 1 when we ought to have commenced June 15. The board of entomology instructed us to wait for a 10 or 15 per cent infection, whereas we had 100 per cent infection to start with.

I fought boll weevils this year all day and night, and learned a great deal about their habits and methods of operation, and I expect to be more successful next year than I was this year. * * * The machine for applying the poison is a very simple little machine covering two rows at a time, and ought not to cost over \$10 or \$12, and yet I had to pay \$55 for every one I used. One machine will take care of 30 or 40 acres during one season. The dealers, who have the exclusive right to sell these machines in the State, made this year over \$50,000 profits on their sales, and would have doubled that if they could have gotten the machines. Such an outrage ought not to be allowed by the laws of the country against an agricultural people struggling for their existence.

My boys and myself have made and ginned more cotton from our farm where we used the calcium arsenate than the public gin at Whitesburg has ginned in a circumference with a diameter of 6 or 7 miles around Whitesburg, where formerly they have been ginning 2,000 to 2,500 bales. The calcium arsenate I used this year was bought through the State board of entomology for 9 cents per pound f. o. b. Atlanta, Ga. The manufacturers have already contracted with the speculators for every pound they can make between now and the time for use next summer, and they won't sell a pound to anybody else. The prevailing price now f. o. b. is 15 to 18 cents per pound, and I expect by next season it will be 20 cents and perhaps more.

In explanation I wish to say that in the Cotton Belt they speak about the size of a farm by the number of plows. The number of acres of an average plow is 20 to 30, 25 being the average acres. Formerly in a good cotton-producing section the average production a plow was 8 to 20 bales.

I also read some extracts from a letter from Mr. James S. Peters, of Manchester, Ga.:

* * * Meriwether County once produced upward of 25,000 bales of cotton and our crop this year will fall below 6,000 bales. Talbot County, just to our south, is in a worse condition, and I am likewise informed that this is true about Harris. Much of the lands in these counties has been abandoned and the labor has either left the farms or gone North. It would be hard to tell you in a letter the conditions of the farmers in this section; however, you will get a very good idea when I tell you that few of our farmers are able to pay the interest on their indebtedness, borrow money at the banks, or buy supplies on terms; of course, you will find some exceptions among the more thrifty.

I have been trying to grow cotton for the past six years in the face of the boll weevil, and sometimes I get despondent; however, I expect to try again the coming year, and will try the following plan: It is my purpose to prepare the land as early as possible; fertilize using about 400 to 600 pounds of high-grade fertilizer to the acre; plant shallow; and cultivate likewise as rapidly as possible. As soon as the leaves begin to show up I expect to begin spraying with a hand duster and continue as long as the weather conditions are favorable or the cotton gets large enough that spraying is impractical. This plan, in my opinion on average land should produce from 500 to 1,000 pounds of cotton; on average land the variation, as you will note, is large and is a result of weather conditions.

This year we were able to secure arsenate at 9 cents per pound, and, in my opinion, we can very well afford to exchange 1 pound of lint cotton for 2 pounds of calcium arsenate, and when the price goes above this, whether or not it will pay depends upon too many conditions to mention; however, I might say that intelligence, soil, and weather conditions will in a large measure determine the result.

In thinking over the situation it looks now like spraying will eventually represent about the same outlay in making a crop as heretofore expended on fertilizer, and the cost of applying it will be heavier than the expense of scattering the fertilizer. The cost of the spray machines ranges from \$15 for a hand machine to \$275 for a power machine.

I have several other letters along the same line. I want to read some extracts from a letter from Mr. H. H. North, of my city, president of the Manufacturers' National Bank there:

* * * I beg to say that Coweta's normal crop was about 30,000 bales per annum; a few years it was much larger. I think the crop of 1919 was in the neighborhood of 32,000 bales. We had very few weevils that year. In 1920 the weevil appeared in what we considered a small way, and our crop that year was about 18,000 bales. In 1921 we had in the neighborhood of 8,000 bales, and the present year it will not much exceed 3,000 bales. This year's crop was made, but in a few instances, without the use of fertilizer or poison, as both of these commodities were sold only for cash and our farmers were so disheartened that very few of them used either. Every farmer who used good fertilizers and poison, as directed by the Agricultural Department, profited by it very much.

In regard to the condition of the farmers in this section brought about by the destruction of the cotton crop caused by the boll weevil, I can hardly describe it to you. You know our people so well. They have never been extravagant, but it is deplorable to see people who were the backbone of our country, and who held their obligations on a parity with their religion, placed in a position from the disaster wrought by the boll weevil that unless we can successfully raise cotton again will never be able to pay their debts. However, they are making every sacrifice and are ready now to make any application worked out by the Government to fight the boll weevil.

One of the worst features that I see in our present condition is the decline in our rural institutions. Our schools are declining and our farming population is barely able to support the churches. However, they are making every sacrifice to do this.

* * * The calcium arsenate prices quoted to us have been carload lots, 17 cents per pound; less than carload lots, 18 to 19

cents per pound. * * * This seems to be a pretty stiff advance from 9 cents per pound last year. The prices on the dusting machines were last year \$18 for the hand machine and \$55 for the mule-back duster, which carried two rows at a time. * * *

The present prices of arsenate and the machines, I am afraid, will keep a great many of our smaller farmers from using the poison another year, but they all seem anxious to use it, and I believe would give it a pretty thorough tryout if it were possible for them to do so. The banks would be very willing to furnish sufficient arsenate and the machines, but at the present prices and with the amount of fertilizer, that would have to be paid for cash, sufficient to make a crop, and the other necessary expenses, it would make an advance that we would be a little slow in furnishing except to people who have sufficient supplies and cash to make their crops above the expenses of poison and fertilizers.

I also have a letter from Mr. A. A. Reese, who in a very practical way points out the benefit resulting from the use of calcium arsenate, and some extracts from this letter are as follows:

The State board is at variance with the United States office of Louisiana in some respects. But the only one of much importance is the time to begin with the poison. Our board claims that the time to put it on is when the weevils first begin, and that is before the cotton has any squares, or fruit. The weevil commences in the young, tender bud of the stalk as soon as he comes out of his winter quarters. Now, I contend that I did the best work of the year by dusting the little cotton in the top just as soon as I chopped out to a stand and plowed it. The weevils were very numerous and sucking the bud, as that was all they could feed upon at that time. I got the first crop that came out of winter quarters before I had any fruit, or squares, on my cotton. I dusted this small cotton with little sacks that my wife made for me. I had her make about 100 of these. I will send you one. It is made of bed ticking with a cheesecloth bottom, and the little negroes can go over an acre every two hours. I used the sack for two or three applications, because I could work the women and children and keep my plow hands and mules to the plow. Now, after the cotton begins to be full of squares and blooms the dusting machines are best.

Now for the Government's advice—I mean from the Louisiana office. They claim not to poison in the early season, not even at all until you have squares and blooms, and then wait until you see 15 or 20 per cent infestation. They claim we waste the arsenate and throw away our time by the early applications. I contend that is the best way to kill the weevil, because he must eat to live, and he can only live by eating the bud of the plant. I had two croppers that never did have any squares to pick up from the ground or off the stalk for no other reason than that they poisoned at the time to get the first crop of weevils as they came out. "A stitch in time saves nine." The first application should be as light as you can put it. I mean by that, just so you can see the dust in the top of the bud. And, too, that is enough at any time to dust, an amount that will show the dust all over the foliage. I used more than necessary this year, but had to learn.

Now, if you can put 1 to 2 pounds to acre for first application is sufficient. Then increase 1 pound per acre as the stalks grow larger. My plan this year will be 1½ to 2 pounds per acre, first application. Second application three weeks from first with 3 pounds per acre. If no rain for 24 hours after second application, wait two weeks for third and put 4 pounds per acre. Then, about same time, 5 pounds per acre; then, about same time, 6 pounds per acre; then, about same time, 7 pounds per acre.

Notice, now, I said if no rain within 24 hours after application to wait. But if it rained hard enough to wash off the dust, I would put on earlier. Now, here is how to tell: Go in the field. Count 100 squares on one row in same place; take 10 rows until you count 1,000. As you count pick off infested squares and hold in your hand until you count the 1,000. Now deduct the infested or punctured squares you found while counting the 1,000 and you have the percentage of infestation.

For instance: First 100 you have 2—2 per cent; second 100 you have 1—1 per cent; third 100 you have 5—5 per cent; fourth 100 you have 4—4 per cent; fifth 100 you have 3—3 per cent.

In 500 you have 15 punctured of 100, or 15 per cent.

I wish to say just here that all of us used too much arsenate. We thought the stalk had to be white with it. But that is not the way. Just enough to see the dust by looking closely is all that is necessary, and will do as much good as ten times that amount. Some of our farmers used 50 pounds per acre this year. I used 25 to 35 pounds. And am going to make a crop next year on less, if the rains do not interfere too much. I only made about 30 bales last year, 1921, without arsenate. This year I reduced my acreage and bought \$450 worth of arsenate. I have ginned 85 or 90 bales for this year with less guano. My plan for next year is 400 to 500 pounds of fertilizer per acre and about 25 to 30 pounds of arsenate. I am going after 150 bales of cotton for 1923.

Our arsenate cost us 9 cents per pound, bought through our State board for 1922. As yet they have not been able to contract for 1923. It was hard to get for 1921. Some farmers could not get any at all.

Mr. ABERNETHY. Will the gentleman yield?

Mr. WRIGHT. I will.

Mr. ABERNETHY. I understand the Senate has passed a resolution providing \$10,000,000 for the purchase of nitrate of soda and calcium arsenate. That is now before the Agricultural Committee. Does the gentleman think that that would be a good thing to aid the farmer in getting calcium arsenate?

Mr. WRIGHT. I will come to that presently. I thank the gentleman for calling attention to it. Now, gentlemen, as a farmer I know something about the customs and ravages of the boll weevil. I believe the best method of fighting the boll weevil is this: First of all, for the southern farmer to produce

an abundant supply of foodstuff and feed stuff for his farm. Then to plant 5 or 10 acres to the plow in cotton and let the land be very fertile, the very best of the land. Prepare it thoroughly, plant it early, use the best seed, one that will mature the earliest, fertilize it heavily, cultivate it intensively and intelligently apply the calcium arsenate, and in an ordinary year if the seasons are reasonably favorable some cotton can be produced.

I want to say in that connection that some years in some sections a fairly good crop might be produced without the use of calcium arsenate, because if the summer is long and dry and the crop is properly fertilized and cultivated some cotton can be produced. But in the Cotton Belt, as a rule, it is unsafe to undertake the production of cotton without the use of calcium arsenate. It is the only remedy which the Department of Agriculture has discovered to effectively destroy the weevil after many years of research and experimentation.

So, you see, fertilizer and calcium arsenate are needed in the Cotton Belt. But the South is not the only section that uses fertilizer. It is used in the East and in the Northwest and the West, but it is more generally used throughout the Cotton Belt than in any other section of the United States. Now, the Senate of the United States last Saturday passed a joint resolution creating a revolving fund of \$10,000,000, and authorizing the President to purchase with it sodium nitrate and calcium arsenate.

You ask my attitude about that. If that resolution comes before the House I will support it. I believe it would be a good thing for it to pass. Of course, there is a principle in legislation of that kind that ordinarily I would not stand for, but growing out of the emergency that confronts us and the gravity of the situation, I will support the resolution gladly.

Mr. ABERNETHY. Will the gentleman yield?

Mr. WRIGHT. Certainly.

Mr. ABERNETHY. I understand the purpose is to buy it and furnish it to the farmers at cost, so that it will not cost the Government anything.

Mr. WRIGHT. Yes.

Mr. GARNER. Will the gentleman yield?

Mr. WRIGHT. I will.

Mr. GARNER. I notice the gentleman said in one of the letters it stated that the machine that they were selling for \$55 ought to be sold for \$15. Had we not better amend the resolution and give the farmers the machine at cost, so that they will not pay these profiteers a \$40 bonus?

Mr. WRIGHT. I think that would be a good idea, but when you start that kind of legislation the gentleman knows there is no end to it.

But I want to go on record as emphatically supporting the joint resolution adopted by the Senate for the purchase of calcium arsenate and nitrate of soda.

Mr. GARNER. About how much calcium arsenate is used in the course of a year in the way of eradicating the boll weevil?

Mr. WRIGHT. It is practically a new question and the statistics are difficult to obtain. The truth is there are not over fifteen to sixteen thousand tons available in the United States, and not over 8,000 of those are available for agriculture.

Mr. GARNER. How much would the 8,000 tons be worth at the market price?

Mr. WRIGHT. I believe the highest price at which I have heard it quoted is 20 cents a pound.

Mr. GARNER. Then you only need about \$500,000 to buy that.

Mr. WRIGHT. Five or six hundred thousand dollars I undertake to say will purchase all of the calcium arsenate in existence available in the United States to-day.

Mr. ABERNETHY. Is it not the purpose of the resolution to protect the farmer against the profiteer in this absolutely necessary article to destroy the boll weevil?

Mr. WRIGHT. I think that is one of the principal elements involved.

Mr. GARNER. Do I understand that the principal thing to be gained by the resolution which the Senate passed is to enable the President to go into the business of purchasing calcium arsenate and to distribute it, to prevent profiteering?

Mr. WRIGHT. To make it available to the farmer. Of course, the farmer must pay the Government the full cost of it to the Government in cash.

Mr. GARNER. Is it not available if he has the money to buy it?

Mr. WRIGHT. The truth is that it is coming into such general use that, being comparatively scarce in this country, the profiteers and the speculators have exploited it, and cor-

nered it, so that it is commanding a price wholly out of proportion to its intrinsic value.

Mr. SISSON. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. SISSON. I agree with the gentleman that the trouble is that there is a limited supply of it because there has been a limited demand, but this new use of it has made the demand so unlimited that the men with money find it profitable to buy it and charge unreasonable prices for it.

Mr. WRIGHT. That is the point that I make. They have cornered it, knowing the supply of the article and the demand for it. I am strongly in favor of the use of calcium arsenate, and in favor of the use of nitrate of soda, and those are some of the things I have in my mind in making these brief remarks. Let us take the question of nitrate of soda. The farmers of this country use only about 250,000 tons of Chilean nitrate. That is all that is available to them. The Government of the United States owns quite a supply of it down at Old Hickory, in the State of Tennessee. It has been there I presume for several years. The sacks have become eaten and are in somewhat bad condition. It is stored in warehouses. They had a sale a few weeks ago of 25,000 tons of it. I believe the average price at which it was sold was \$47 a ton. They are now offering 28,000 tons for sale on the 30th of this month at the same point, Old Hickory, Tenn. If the \$10,000,000 revolving fund is to be created for the purchase of nitrate of soda, it would seem a shortsighted policy for the Government to sell the surplus of this material it already has on hand and then go into the market and rebuy it. Of course, whoever purchases the surplus stock at Old Hickory or other points would want a profit on it if resold. It would seem that some provision should be made whereby this surplus stock of nitrate now owned by the Government should be handled or sold in such quantities as that the farmers of the country could buy it and thus let it be devoted to the production of crops, so much needed. Nitrate of soda is now commanding a pretty good price, but if you will take the 250,000 tons that are consumed by the farmers of the country and multiply that by \$45 a ton you will see that \$10,000,000 would nearly buy all that is annually imported into this country for the use of the farmers. Two things that the cotton planter needs to-day are fertilizer and calcium arsenate. Where do we get this nitrate of soda? It is imported from Chile, and in what way?

England controls three-fourths of those Chilean nitrate mines. What are we doing in this country? England transports coal in her ships from England and from Germany to Chile with which to operate those Chilean mines. By the time the coal is transported and the power generated by it is furnished to the nitrate mines the cost of mining it is about \$8 a ton, and then when it leaves Chile to come to the United States the Chilean Government exacts an export duty of over \$12 a ton, so that before it ever leaves the coast of Chile en route to the United States it has cost over \$20 a ton. It has to go through the Panama Canal, and what do we do there? The American farmer helped to pay for that canal, and he is compelled to pay the toll to have this nitrate go through that canal. While we spend billions of dollars for Chilean nitrate, do you know that to-day down at Muscle Shoals, in the State of Alabama, there is standing idle and at great cost to the Government a nitrate plant built by this Government which is capable of producing 40,000 tons of fixed nitrogen annually, which is equivalent to every pound of Chilean nitrate which the farmers consume? Forty thousand tons of fixed nitrogen is the equivalent of 250,000 tons of Chilean nitrate imported into this country and used by the farmers. From the air over one acre of land there can be fixed 33,880 tons of nitrogen, and the supply is inexhaustible, as it is replenished in the air. Not only this, but nitrogen and fertilizers can be economically produced at this wonderful plant at Muscle Shoals and so that as a result of the operation of the plant the farmers of this country would be saved an almost incalculable amount during the 100-year period which Mr. Ford, in his offer, obligates the company to be formed to operate this plant. Mr. Thomas A. Edison, who has studied the question, gives it as his opinion that fertilizers can be produced at Muscle Shoals at about half the price at which they are now sold.

It should also be kept in mind that with 40,000 tons of fixed nitrogen a mixed, well balanced fertilizer can be made aggregating 2,000,000 tons.

Mr. GARNER. Then, if we could get the Ford proposition supported by our friends on the other side, we would only have to have \$500,000 in order to get the other.

Mr. WRIGHT. In order to relieve the entire situation. So that we are in this attitude: For more than a year and a half Henry Ford has had pending a proposition to take over this

wonderful plant, to operate it to its full capacity. As early as June of last year a bill was reported to this House by a Republican committee of this House favoring the acceptance of the Ford offer, and yet not one move has been made toward the passage of that bill or making it possible for this great project to be turned over to Mr. Ford.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. BLANTON. Why? What is it that is standing in the way of Congress passing on this matter? I thought perhaps the gentleman would tell the people of the country.

Mr. WRIGHT. I will tell what I think about it. I believe that the great banks and trust companies of this country are fighting Mr. Ford's offer. I believe the great automobile concerns of the country are fighting it; that the great water-power companies of the country are fighting it; that the great fertilizer trusts are fighting it. I believe that practically every big industry and financial concern in the United States are fighting the Henry Ford offer.

Mr. GARNER. But probably the most important one is the gentleman who sits at the other end of the Avenue.

Mr. WRIGHT. Perhaps the gentleman is correct.

Mr. PARKER of New Jersey. Does not the gentleman know that I filed a report against the Henry Ford offer, in which I gave my reasons?

Mr. WRIGHT. Certainly; the gentleman filed a very able report. He is as much entitled to his views as any other Member of the House. In addition to that, I believe that if this great project were turned over to Henry Ford under his offer in addition to the manufacture of nitrogen and fertilizers at Muscle Shoals he would begin the manufacture of calcium arsenate.

Mr. CRISP. Mr. Chairman, as the gentleman knows, I am very much in favor of Mr. Ford having Muscle Shoals, but I would like him to tell the House on what authority he bases that statement that if Mr. Ford had the contract he would also manufacture calcium arsenate?

Mr. WRIGHT. I am not authorized to speak for Mr. Ford; but I say this to my colleague, that I have personally taken this matter up with the representative of Henry Ford, Mr. W. B. Mayo, and suggested to him the possibility of manufacturing calcium arsenate at Muscle Shoals as well as fertilizers, and also the manufacture of machines there which could be supplied to the farmers at reasonable prices to distribute this calcium arsenate, and he is intensely interested in it and is now actively engaged in working on the question to determine whether it is practical to manufacture calcium arsenate at Muscle Shoals.

It would seem, however, of doubtful propriety to ask Mr. Ford if he would manufacture calcium arsenate at Muscle Shoals, as his offer thus far has been ignored, and he might very properly ask this House what it proposed to do in reference to his present offer, which has been pending so long. I firmly believe if this great plant at Muscle Shoals should be turned over to him under his offer he would gladly manufacture calcium arsenate there as well as fertilizers. I believe he would do this not only because of the interest he has manifested in the prosperity of this country but because if for no other reason from a selfish standpoint. Henry Ford knows as well as any man living he can not sell trucks, tractors, and cars through the South unless there is a production of cotton. He knows without the use of fertilizer and calcium arsenate that cotton can not be successfully produced. I am persuaded that the manufacture of calcium arsenate at Muscle Shoals is entirely practicable. Upon the completion of Dam No. 2 an abundant supply of power will be available; that section abounds in unlimited supply of lime rock from which the best grade of lime can be produced, and if white arsenic can be secured, and it can be, certainly Mr. Ford is in a position to do so and thus all of the elements necessary to produce calcium arsenate could be easily brought together at the Muscle Shoals plant. It will be understood that pure lime and white arsenic are the necessary ingredients in the manufacture of calcium arsenate.

It occurs to me that while it is a fine proposition to create this revolving fund of \$10,000,000 to buy nitrate of soda and calcium arsenate, that what we need in this country is production of both. It would seem the only present prospect of success along these lines is this offer of Henry Ford, an offer made by a man whose ability no one questions and whose offer is clear and explicit as to just what he will do for this country at Muscle Shoals if this vast property is turned over to him. Now, this is not a local question, it is not even a Cotton Belt question. It is national in its scope; indeed, I might say, it is world-wide. The South can not buy the splendid mules which are raised in

Indiana, Missouri, and Illinois without the the production of cotton. The South can not buy the manufactured products of New England unless they can grow cotton. The South can not pay life insurance premiums and fire insurance premiums to the great companies in the East and North unless she can grow cotton. The great textile mills in New England can not run without cotton. Stop its production and the spindles are idle, thousands of persons thrown out of employment and the rich harvest of dividends cut off. And it is surprising to me that when this question comes up how many of my good friends from the East are opposing it. Now, my good friend, the gentleman from New Jersey [Mr. PARKER], who filed a minority report on the Muscle Shoals proposition. He is from the good State of New Jersey and he is opposed to the Ford offer. What section, my friend, has supported New Jersey or the East more than Georgia and the South. It is of mutual interest. You make certain things we want and we make certain things you want, and so it is with all sections.

Mr. HULL. Will the gentleman yield?

Mr. WRIGHT. I will.

Mr. HULL. The gentleman himself, I believe, signed the minority report on the committee?

Mr. WRIGHT. I did.

Mr. HULL. Then the gentleman should not censure the gentleman from New Jersey.

Mr. WRIGHT. I did not. I stated he had as much right—

Mr. FIELDS. But there is a difference between the two minority reports.

Mr. WRIGHT. I filed a report accepting the Ford offer as finally passed up by the committee. The gentleman [Mr. HULL] signed the majority report, which recommended the passing of a piece of legislation through this House for Mr. Ford to do something he never offered to do and which we have no assurance he will ever do.

Mr. HULL. The gentleman will be fair with me.

Mr. WRIGHT. Certainly.

Mr. HULL. The gentleman knows the reason I objected to the Ford offer was because it was to give him something we did not own; and as I look at it, that makes it an immoral act.

Mr. WRIGHT. He only proposed to take what interest the Government has in the Gorgas steam plant.

Mr. HULL. We have no right to give him something we do not own.

Mr. CRISP. Did not the legal adviser advise that the contract was not legally binding on the Government?

Mr. HULL. That may not be binding, but you can not transfer realty you do not own, and we did not own any realty within 90 miles of the Gorgas steam plant, as the gentleman knows.

Mr. CRISP. The proposition was simply to relegate the Government's interest, whatever that may be.

Mr. HULL. Let me ask this question.

Mr. WRIGHT. I hope this is not being taken out of my time.

The CHAIRMAN. The gentleman declines to yield.

Mr. WRIGHT. The truth about it is the matter to which my friend from Iowa [Mr. HULL] refers was the Gorgas steam plant in which the Alabama Power Co. has an interest. There is no inconsistency in accepting the Ford offer just as he made it, including the Gorgas steam plant, because he only asked that whatever interest, and no more, that the Government has in that plant be transferred to him.

Mr. HULL. Will the gentleman yield?

Mr. WRIGHT. Certainly.

Mr. HULL. Can a sovereign transfer a claim against another individual? Has it ever been done? If so, cite an instance.

Mr. WRIGHT. There is no doubt about the right of this Government to transfer whatever interest it does have in the Gorgas steam plant.

Mr. HULL. Certainly.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WRIGHT. Can I have five additional minutes?

Mr. Sisson. If I had it I would be glad to give it to the gentleman. I will yield the gentleman two additional minutes.

Mr. WRIGHT. I wish to add that white arsenic is produced in the United States as a by-product in the smelting of copper and other ores. Operations which have arsenic as their principal product were carried on during the high prices of the war years in Washington and in Virginia, but these operations were abandoned with the reduction in prices at the close of the war. In 1901 the production of white arsenic, according to the Geological Survey, the domestic production, reached its maximum of 11,502 tons. Added to which were imported 3,740 tons, making a total supply of 15,242 tons. In 1921,

according to the Geological Survey, the domestic production fell off to 4,786 tons, while the imports were 1,699 tons, making a total supply of 6,455 tons.

The total production and importations for 1921, if wholly available for the production of calcium arsenate, would have produced about 16,140 tons of this material.

The price between 1901 and 1915 averaged about 2.8 cents per pound. In 1920 it reached about 8.8 cents per pound, and in 1921 it averaged 7.5 cents a pound, or about \$150 per ton. Since about 800 pounds of white arsenic are required per ton of calcium arsenate manufactured, the cost of the white arsenic alone at this rate would be about \$60 per ton of calcium arsenate. With large-scale production, having white arsenic as the principal product, the cost might be reduced.

Although there are about 130 minerals containing arsenic, there are 3 minerals which form the principal commercial supply of white arsenic obtained from operations in which arsenic is the principal product:

Arsenopyrite, or mispickite, is a mineral containing 46 per cent arsenic and consisting of arsenic, iron, and sulphur. It is the most widely distributed of any of the arsenic minerals. The second mineral is realgar, a sulphide of arsenic, containing approximately 70 per cent arsenic; and the third mineral is orpiment, also a sulphide of arsenic, containing about 61 per cent pure arsenic. Realgar and orpiment are "replacement minerals," occurring in veins and fissures, and not massive deposits.

There are no large deposits of arsenic ores in the United States that are being worked primarily for their arsenic content. Arsenopyrite occurs in limited quantities in 22 States from Maine to California. A small deposit has been worked in New York State, where it is found in a narrow vein; lenses of limited size and undetermined as to number, and varying from a few inches to 14 feet in thickness, have been worked in a small way in Floyd County, Va., during the period of war prices. Commercially important deposits have also been found in the Black Hills of South Dakota. The principal occurrences of orpiment in this country are a thin, unworked bed in the Mercur district in Utah and the Monte Cristo deposit in the State of Washington, which was worked in a temporary way during the war. Realgar is not mined in the United States.

The principal foreign deposits of arsenic ores occur at widely separated points, some of which are remote from civilization. While information is meager, large amounts of arsenic are reported by the British vice consul in Corsica to exist on that island in the form of realgar and orpiment. From a similar source reports are had of realgar deposits in the Hu-nan Province in China, near the Yangtze River. A deposit of orpiment, which has been mined to more or less extent, is in eastern Kurdistan, between the Caspian Sea and the Mediterranean Sea. Small amounts of arsenic ore are produced in France and southern Rhodesia, and manufactured white arsenic is produced in Great Britain, Australia, Canada, Greece, Japan, Spain, Portugal, and South Africa. Japan is said to have fairly large deposits of ores containing copper and lead carrying from 15 to 30 per cent arsenic. The production, however, is small, amounting to about 1,067 tons in 1919, of which 911 tons were exported to the United States. It has been estimated that the possible annual production from known sources in Japan would amount to about 4,000 tons of white arsenic per year.

Arsenic compounds are used in industries for making dyes and wood preservatives, and as a means of removing hair from hides in tanning; they are used to decolorize glass and to harden shot, and as an alloy to harden certain metals. Railroads use large quantities as a weed killer, and stock raisers also use considerable amounts in sheep dips for killing ticks and preventing foot rot. It is used as the basis of Paris green as an insecticide on valuable crops. Medicinally it is used in the form of "Fowler's solution" to fatten horses, and, although from two to four grains are fatal, it nevertheless has many valuable medicinal uses. White arsenic is on the free list, while calcium arsenate has an ad valorem of 25 per cent. This should be removed. The agricultural consumer of calcium arsenate in this country derives no benefit from the fact that white arsenic is on the free list if this arsenic is manufactured into calcium arsenate. It is wholly inconsistent to levy an ad valorem of 25 per cent on calcium arsenic and place white arsenic on the free list. The thing the American farmer needs is calcium arsenate and when he buys this he pays the equivalent of the 25 per cent ad valorem on the white arsenic whether it is imported or produced in this country, and the manufacturer of calcium arsenate gets the benefit of and profits by the 25 per cent ad valorem on white arsenic.

Gentlemen of the committee, referring to cotton—when I think about the cotton plant I am always reminded of the beau-

tiful tribute that the lamented and now immortal Henry W. Grady paid when he was in the very prime and vigor of his career.

I want to read these lines. They were penned by Mr. Grady at a time when a normal production of cotton was being made throughout the Cotton Belt. They are as follows:

What a royal plant it is! The world waits in attendance on its growth. The shower that falls whispering on its leaves is heard around the earth. The sun that shines on it is tempered by the prayers of all people. The frost that chills it and the dew that descends from the stars is noted, and the trespass of a little worm on its green leaf is more to England than the advance of the Russian Army on her Asian outposts.

It is gold from the instant it puts forth its tiny shoot. Its fiber is current in every bank, and when loosing its fleece to the sun it floats a banner that glorifies the field of the humble farmer. That man is marshaled under a flag that will compel the allegiance of the world and wring tribute from every nation on earth. It is the heritage that God gave to this people forever as their own when he arched our skies, established our mountains, girt us about with the ocean, loosed the breezes, tempered the sunshine, and measured the rain.

Our's and our children's forever! As princely a talent as ever came from His hand to mortal stewardship.

[Applause.]

Gentlemen of the House, I say those beautiful lines that I have read were penned when the production of cotton was normal. Since then the industry has practically been destroyed by the ravages, not of a little worm on its foliage but by a brown, rusty bug known as the boll weevil. I am appealing to the House to-day, to men of all sections, to come to our relief and accept this Henry Ford offer and aid in recrowning cotton as king and in bringing prosperity to the country. [Applause.]

Mr. GOODYKOONTZ. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. GOODYKOONTZ. I understand the gentleman is willing to take Henry Ford and grease him and swallow him whole? [Laughter.]

Mr. WRIGHT. I undertake to say to this House that I am in favor of accepting the Henry Ford offer for Muscle Shoals as reported in a bill that I introduced in this House last May or early in June last.

Mrs. HUCK rose.

The CHAIRMAN. For what purpose does the lady from Illinois rise?

Mrs. HUCK. I rise to ask unanimous consent to revise and extend my remarks in the RECORD.

The CHAIRMAN. Is there objection to the request of the lady from Illinois?

There was no objection.

Mr. WRIGHT. Mr. Chairman, I make the same request.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. STAFFORD. Was the request of the gentleman from Georgia submitted?

The CHAIRMAN. Yes.

Mr. STAFFORD. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. DEMPSEY].

Mr. DEMPSEY. I understand Mr. NEWTON is willing to yield me his 15 minutes.

Mr. STAFFORD. It is not customary for gentlemen who are yielded time to transfer their time. If it is agreeable to the chairman of the committee, I have no objection, but I have yielded to gentlemen who have taken up the time, and that will crowd me out of any time for myself. There are four gentlemen here who have each asked for an allowance of five minutes' time.

The CHAIRMAN. The gentleman from New York is recognized for 15 minutes.

Mr. DEMPSEY. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. The gentleman from New York asks unanimous consent to revise and extend his remarks. Is there objection?

There was no objection.

RIVERS AND HARBORS.

Mr. DEMPSEY. Mr. Chairman, the pending bill appropriates \$37,000,000 for the improvement and maintenance of the rivers and harbors of the United States for the next fiscal year. The amendment proposes to increase this amount to \$56,589,910. The sole issue, of course, is whether the increased appropriation named in the amendment is necessary.

The object of the appropriation is to increase the transportation facilities of the country. And there never was a time when this increase was so sorely needed as it is now. This fall, at Buffalo, at the foot of the Great Lakes, 20,000,000 bushels of

wheat were tied up in the elevators, which were filled to overflowing, and even on vessels which were unable to start on their return trips because there was no place to receive the grain with which they were loaded. To-day, much of the wheat of the West is in the farmers' hands because they are unable to secure cars to transport it to market. All over the country there is a shortage of coal for manufacturing and even for the heating of homes. The infirmities of age and the helplessness of infancy are not protected from the rigors of the winter season because of the shortage of freight cars. When this country is prosperous; when its factories are running full time and a bountiful crop has been harvested by the farmer, the railroads are unable to carry the freight of the country and there is no prospect of railroad facilities being increased so as to overtake the transportation demands. The cost of transportation has increased enormously, so that it bears an undue proportion to the cost of production. For instance, the transportation of coal from the mouth of the mine is frequently more than the cost of the coal at the mine. While transportation costs are likely to remain relatively high and are sure to be higher than they were before the war, the cost of shipment by water is always lower than that by rail, and nonperishable products, such as grain, lumber, oil, coal, and ore, should be transported by water and the lighter and more perishable products be left for rail shipment.

The congestion in transportation exists in the interior of the country. There is no difficulty about shipment on the ocean. In fact, ocean tonnage is at the present moment tied up for lack of business, much of which would have cargoes if only they could be transported to the seaboard. So the most pressing question presented is one of the improvement of our interior waterways, of our lakes, and our rivers. There never has been a time when such congestion of transportation existed or when the price of transportation was so high as to-day. The farmer was never in such straits from inability to ship the products which have cost him a year's work and outlay as right now, and the industrial life and the physical well-being of the community were never as acutely menaced by the shortage of fuel as at this moment.

So we approach a consideration of the question whether the greater appropriation sought by the amendment is needed, having in mind the congestion and the high freight rates; the needs of the farmer and the consumer; and the critical condition of the manufacturer and of the householder. The situation differs so entirely from any conditions which have existed in the past that it is impossible to reach a fair solution of the question as to what amount is needed for the improvement and maintenance of our rivers and harbors by a comparison with the past.

It is easy to say that the \$37,000,000 carried in the bill and the \$12,000,000 in the Treasury make a total of \$49,000,000, which is more than has been expended in any fiscal year for some considerable period. Those who urge this forget, however, that during the war we appropriated only for such projects as were necessary for war purposes, and that since the war and until a year ago we have been limited in our expenditures on account of the very great burden of taxation being borne by our people. For these reasons the appropriations and the expenditures have been kept down to a minimum. Indeed, not alone was the prosecution of waterway improvements abandoned, but even maintenance was neglected and harbors were allowed to silt and lose the depth which they had before the war. So at the present time we are met with such a necessity for the improvement of our waterways as never before existed, and at the same time our rivers and harbors are in worse condition than they have been for a long period of years.

The doubling of the transportation demands of our country each decade, the inability of the railroads to meet this enormous, rapid, and steady growth in property needing shipment, and the fact that the waterways alone can furnish the relief which this country needs now and will need to a greater extent and more seriously each year, if we are to avoid waste of our farm and manufactured products, is shown by the following statements of great transportation authorities.

RAILROAD COMMENT ON RAIL CONGESTION.

Mr. C. H. Markham, president of the Illinois Central Railroad, makes the following statement:

What is commonly called the "car shortage" is in reality a shortage of all kinds of railway facilities, including locomotives, freight cars, passing trucks, terminal facilities, etc. For a number of years the rate at which the railroads have been able to increase their facilities has gradually fallen off, while the ton-mileage hauled, which represents public demand for transportation, has been gaining steadily.

In the seven years ending with 1907 the number of locomotives increased 2,500 a year and the number of freight cars 90,000 a year. In the next seven years the number of locomotives increased only 1,500 a year and the number of freight cars only 50,000 a year. In the seven

years ending with 1921 the number of locomotives increased only 275 a year and the number of freight cars only 6,000 a year. The increase in the number of locomotives in the seven years ending with 1921 was only one-ninth as great as in the seven years ending with 1907, while the increase in the number of freight cars was only one-fifteenth as great. The decline in the amount and capacity of the equipment provided has been accompanied by a corresponding decline in other facilities. This condition can not continue without causing frequently recurring losses of a serious nature to the country.

Vice President McCrea of the Pennsylvania Railroad Co., before the Pittsburgh Chamber of Commerce, on February 24, 1922, made the following statement:

In the United States during the 12 months ending December, 1921, but 400 miles of new line were built, while 700 miles were abandoned. Practically no railroads have built double track, increased their yard facilities, or taken steps to relieve congested points where they have had much of their trouble in the past few years and know they will have more trouble in the future. We have had no money for this; every dollar available and all of our energies have of necessity been expended in restoring our existing facilities to a safe and efficient operating condition.

Vice President Elisha Lee of the Pennsylvania Railroad, before the Manufacturers' Association of Philadelphia, recently stated:

Traffic on our American railroads, measured in ton-miles, doubles about once in a decade, or possibly a little longer. The next time our country has a real revival in business we shall in all probability be confronted with the most severe congestion of railroad traffic and the greatest inadequacy of railroad facilities ever experienced in our history.

When that happens rates will be lost sight of. Everyone will be clamoring for service, and our public highways will again be torn to pieces by huge truck loads of freight, carried over roadways never designed for such purposes, and at rates and costs of operation so high as to constitute economic waste.

Nothing could more quickly check a wave of prosperity than the inability of our railroad facilities to handle the traffic which good times would create.

The late James J. Hill, the greatest railroad builder and manufacturer the country has ever known, in an address which he made at Chicago 12 years ago, in which he took issue with objectors to waterways, said:

Nature indicates that the commerce of the Middle West, with the rest of the world, should be carried in part by the Mississippi River and its navigable tributaries. The burden, which the railroads can not carry, will be shared by the waterways. The congestion arising from a steadily increasing volume of commerce will be relieved by turning over a share of the business to the towboats and the barges. Here lies the most practical exit from our national transportation dilemma.

Seeing, as we do, the need of water transportation in order that the food and manufactured products of our country may reach the point of consumption and not be wasted and lost, we next come to the question whether the appropriation suggested by the amendment is necessary. The amount is based on a most careful itemized estimate prepared by the Chief of Engineers on consultation with the district and division engineers stationed throughout the country. As everyone knows, the country is divided for waterway purposes into divisions and they in turn into districts. Each district has an engineer, and they in turn are under a division engineer, who is subject to the Chief of Engineers. The district engineers are stationed in their several districts. They are on the ground, and they know the needs of the district. On the other hand, they are disinterested and are not affected by local ambitions, prejudices, or desires for the expenditure of Government money. They have only one object in view—the legitimate improvement of our waterways—and only one master to serve—the United States Government. They are men who have had the best educational opportunities and who have spent their lives studying our waterway problems. So from the standpoint of disinterestedness, ability, and familiarity with the subject, their estimates and reports are the best information which could possibly be obtained, and they are subject to check, too, by the review of the division engineer and again by the Chief of Engineers. In such ways and after all possible reductions have been made by the division engineers and the Chief of Engineers the estimates of what are needed for the coming fiscal year were prepared. They are as follows:

	Improve- ment.	Mainte- nance.
Principal seacoast harbors.....	\$19,683,410	\$7,375,400
Secondary harbors and coastwise channels.....	7,860,900	1,509,600
Lake harbors and channels.....	1,726,000	1,450,800
Principal rivers.....	13,726,000	2,249,000
Secondary rivers.....	181,820	826,980
Total improvement.....	43,178,130	13,411,780
Total maintenance.....	13,411,780	
Grand total.....	56,589,910	

In all the time I have had the honor to serve in Congress no opponent of appropriations for waterways in our country has ever gone to the extent of attacking the spending of the

money necessary to put and keep our coast harbors and coast-wise channels in condition to accommodate vessels and barges of the size and draft now in use. A few illustrations will serve to show that we are not to-day in our usual condition as to these harbors and channels, but that owing to the interruption of work during the war and to small appropriations made immediately following the war, because of the pressure of taxation, many of our great harbors are in a deplorable condition, with channels which have silted and filled so that they have not to-day the depth they had when the present projects for their improvement were adopted.

Congress adopted a project for the obtaining of a 35-foot depth in the Delaware River in June, 1910. In the succeeding six years this project was 45 per cent completed. In the five years since then only 28 per cent has been added, and to-day the project is only 73 per cent completed. It was estimated at the time that funds to the credit of the improvements from previous appropriations would complete a 30-foot project. Since that time there has been spent toward obtaining the 35-foot project the enormous sum of \$15,428,586.26. Yet with all this expenditure the controlling depth to-day remains 30 feet, and this great waterway, with over 15,000,000 tons of traffic, will not have the benefit of the 35-foot depth until the remaining 27 per cent of the work is done, and every year of delay is causing the Government the loss of the interest on the amount already expended, a loss of \$925,714 annually. At the same rate of progress at which the work has been prosecuted in the past it will take five years to complete it, and this would make a loss in interest of approximately \$6,000,000. Could any private business stand such an enormous loss? Ought the Government to deliberately plan to make this loss by failing to complete the work at the earliest date possible?

Go south to the Gulf coast and take Mobile as another illustration. Congress adopted a project for a depth of 30 feet in the inner channel in 1917. In the five years which have elapsed since the adoption of the project only 24 per cent of the work has been done, and yet here is a city which has less commerce to-day by reason of the insufficiency of the depth of its channel than it had when the project was adopted. It has now 1,400,000 tons of freight, and it had then 1,800,000.

We come next to the Lake harbors and channels. Transportation of the Great Lakes has been the marvel of all times. It is the cheapest transportation the world has ever known, the average cost being 1 mill per ton per mile and the volume carried, varying from 70,000,000 to 100,000,000 tons, is staggering in its size. The amount estimated for the maintenance and improvement of all the harbors in the Great Lakes is only \$3,000,000, a mere trifle, simply nothing in comparison with the value to the country of the enormous traffic carried each year.

The next group of estimates is for the principal rivers of the country, and the amount asked is approximately \$15,000,000. This is divided among 12 rivers, and their needs and improvements are such that we will be benefited by a somewhat detailed examination of them.

The Hudson River is one of the greatest streams in the country, connected with the Great Lakes by the Erie and Oswego Canals. The two canals have been recently improved from a depth of 9 to 12 feet, and since the completion of this work there has not been time in which to construct canal barges, but none the less the river has been carrying from two to three million tons of freight annually, worth from \$100,000,000 to \$200,000,000. The traffic on the canals has grown by leaps and bounds the last two years. It will grow still more rapidly in the future, until the canals are carrying and the Hudson receives the full tonnage capacity of the canals—10,000,000 tons. Yet for this great river, with the present project incomplete, the engineers in the estimates on which the amendment was based ask nothing for the completion of the improvement and only a sum necessary to maintain it.

An 8-foot project for the Mississippi River from Cairo to St. Louis was adopted in 1910, with a provision that it should be completed in 12 years. The 12 years have passed but the project is only 34 per cent completed. At the same rate of progress it would take a quarter of a century to complete the work, and in all, 36 years instead of 12.

In 1907 Congress adopted a 6-foot project for the Mississippi River from the mouth of the Missouri—practically at St. Louis—to Minneapolis. In 1910 Congress declared that this work should be completed in 12 years. Twelve years have passed and the project is but 49 per cent completed. At the same rate of progress it will take 12 years to complete it, and 28 years altogether.

With practically no boats on the Mississippi, except 50 barges and 9 power boats owned by the Government, and with all the disadvantages and large expenditures incident to Government

operation, this fleet has carried 1,279,270 tons of traffic during the past season, at an average saving to the shipper of \$1.35 per ton over the cost of rail transportation. This was done, too, despite the added disadvantage incident to the lowest water in the river which has prevailed for many years and infinite and continued trouble owing to the fact that the Government has not completed the improvement, and in consequence the barges had to meet frequent shoals and sand banks in the channel.

The capacity of the river for the carrying of traffic is practically unlimited. Under all of these circumstances the engineers estimate only \$1,625,000 for improvement and \$525,000 for maintenance of the river. Surely no one will claim that a less appropriation should be made for the "Father of Waters" or that the great Middle West, with its farmers embarrassed from inability to ship and market their grain, should not have this additional means of reaching the sea and the centers of commerce.

The project for a 9-foot channel throughout the entire length of the Ohio River from Pittsburgh to Cairo was adopted in 1910, with a provision that the project should be completed in 12 years. The project embraces 53 locks and dams, of which 37 have been completed. The total cost of the improvement to this date is over \$65,000,000. It will only cost \$10,000,000 to complete the work. The distance from Pittsburgh to Cairo is 968 miles, yet with six-sevenths of the total cost already expended, only 278 miles of continuous channel are available from Pittsburgh west, and that is of value only for local transportation, because while it starts at Pittsburgh it ends nowhere. So that the interest on this \$65,000,000 investment of \$4,000,000 a year is largely lost until the project is completed. The Ohio and its tributaries tap and furnish transportation for the very heart and center of the country, for many of its great natural resources, for many and great coal mines, for vast forests, and for a great and rich agricultural area. Indeed, the natural resources and the developed industries of the upper stretches of the Ohio and of the region through which the Monongahela runs are so vast that it has been termed the greatest workshop of the world, and it has been said that it is the greatest freight-producing center of the country. If the Ohio, with less than a third of its channel completed, starting somewhere but ending nowhere, can carry over 8,000,000 tons of freight, as it does, what will it carry when its splendid length of nearly a thousand miles is all completed? When it has feeding it—furnishing it commerce—all of its great tributaries—the Cumberland, the Tennessee, the Kentucky, the Green and Barren, the two Kanawhas, the Allegheny, and last and greatest of all the wonderful Monongahela—when it will reach from the heart of the continent, from the greatest workshop of the world to the Father of Waters and on to the sea, what, then, will be the tonnage it will carry? The prospect staggers even the imagination.

The Monongahela in its very brief course of 125 miles carries in ordinary years nearly 25,000,000 tons of freight. New and great industries are springing up over night on its banks. The traffic is so congested and the facilities are so inadequate that transportation is dangerous in the extreme. Only \$2,000,000 is asked to remedy conditions which are well-nigh intolerable and where one of the greatest volumes of commerce in the world exists. The improvement now so essential to the safety of the commerce on this great stream is the placing of double instead of single locks and the construction of guard and guide walls.

The Cumberland River divides into two projects—the first project, 192 miles in length, below Nashville, and the second, 133 miles long, above that city. Four million dollars has been spent on the lower project. Less than \$700,000 is required to complete it. Only about 100 miles of this project has the project depth. That the project is a good one is evident from the fact that it carried over 263,000 tons of freight in 1921, in spite of the fact, as was said in the case of the Ohio, that the improved channel leads from Nashville toward but not even to the incomplete Ohio. And again, it may be asked if leading from somewhere to nowhere it carries its present tonnage, what will the tonnage be when it and the Ohio are both completed? Moreover, if the Congress was unwise which adopted the project, is there anyone who will contend that with \$4,000,000 already expended and less than \$700,000 necessary to complete the project, and with 263,000 tons of shipments under the present disadvantageous conditions, the project should not be completed as soon as possible? Four hundred and sixty thousand dollars only is asked for the project. The work on this project was started at Nashville and the completed channel is still 88 miles from the junction with the Ohio.

The Cumberland above Nashville has had two projects adopted—one for 8 locks and dams in 1886 and the other for

10 additional locks and dams in 1919. The two projects are now treated as one and 30 per cent of the united project has been completed at an expense of \$3,600,000. It will require something over \$7,000,000 to complete the work. The stream, when completed, will lead into a country with no rail transportation facilities and having untold wealth in forests and mines and a rich and productive agricultural region. While the traffic last year in its incompleteness state carried only about 142,000 tons, in the prosperous year 1918 it carried 276,000 tons.

The Tennessee River is divided into three sections. The first section, between Riverton and the Ohio, was adopted in 1912. One million five hundred and fourteen thousand dollars has been spent on it and it is 79 per cent completed. The project is one for a draft of 6 feet, and only 4 feet is available for a considerable part of the year. It will only require \$144,000 to complete the project and give the project depth all the year round. Under the present disadvantages the stream carried approximately 350,000 tons of freight in 1921.

The next section is from Chattanooga to Riverton, except Browns Island to Florence (Muscle Shoals), a distance of 211 miles. The project is for 6-foot navigation. Over \$5,000,000 has already been spent. Four million six hundred and eighty thousand dollars is required to complete the work. Owing to the fact that the project itself is one partially completed, and that navigation through Muscle Shoals is not open as yet, the navigation is local, but in spite of that as high as 185,000 tons has been carried on this section of the river of diversified and valuable freight. Nothing is asked for maintenance and only \$155,000 toward completing the project.

The next project is one above Chattanooga, 188 miles in length, for a 6-foot draft for 24 miles of the distance and for a less draft for the balance of the distance. The project is 58 per cent completed. Two million four hundred and thirty-eight thousand dollars has been spent and it will require \$3,250,000 to complete the project. The river is navigable for a very limited draft, yet it carried in 1921 486,760 tons of freight. Nothing is asked toward completing the improvement and only \$20,000 for maintenance. This is less than 5 cents a ton. Surely we can afford to spend that much for this great volume of freight. The traffic consists of a great variety of products, showing the country to be one worthy of improvement.

The Black Warrior, Warrior, and Tombigbee Rivers project was originally adopted in 1899, and is for an all year round 6-foot depth of water. Over \$10,000,000 has been spent on the project, and all that is asked now is an additional expenditure of \$77,800. In 1921 these rivers carried 784,967 tons of freight, largely coal, lumber, steel, and iron. All that is asked is \$64,000 for the improvement, with nothing for maintenance.

The Ouachita and Black Rivers, Ark. and La., project for 6½-foot draft of water, for a distance of 360 miles, was adopted by eight different acts, the first in 1902. Four million nine hundred and five thousand dollars has been spent to date. Only \$400,000 is necessary to complete the project. It has carried as high as 178,000 tons of commerce in a year. While we might differ with the eight Congresses which have passed favorably upon this project we are losing nearly as much in interest on this project as it will cost to complete it. Can there be any doubt whatever that it should be finished at once?

FOX RIVER, WIS.

The existing project was adopted in and prior to 1907. It provides for a 6-foot channel from Depere to Montello, 125 miles; and for 4-foot thence to Portage, 31 miles; also for 4-foot in the Wolf River from its mouth to New London, 47 miles. The project is about 93 per cent completed. Total expenditures to date are \$4,014,000. It will take but \$15,000 to complete the project. The commerce for 1921 was 285,590 tons of coal and building materials. Nothing is asked for completing the improvement; \$160,000 is needed for maintenance.

ILLINOIS RIVER, ILL.

The project is for a channel 7 feet deep from its mouth to La Salle, 226 miles. It was adopted in 1880 and 1907. It is about 93 per cent completed. The total amount expended is \$2,562,562. The amount necessary to complete the project is \$312,300. The commerce for 1921 was 157,546 tons of grain, live stock, coal, logs, apples, and merchandise. The State of Illinois is now constructing an 8-foot waterway from Chicago to the head of this improvement at a cost of \$20,000,000, and the two will furnish a through improved channel from the Great Lakes, at Chicago, to the Mississippi River. Only \$65,000 is asked for continuing the improvement and \$130,000 is needed for maintenance.

SACRAMENTO RIVER, CALIF.

The existing project, adopted in and before 1912, provides for improving this river for over 250 miles to a depth of 7 feet from

the mouth to Sacramento, 61 miles, and for lesser depths above that point. The project has been completed. The commerce for 1921 amounted to 976,596 tons of farm products, canned goods, oil, and general merchandise. The total amount expended is \$1,739,871. All that is asked now is \$95,000 for maintenance.

My colleague, Mr. NEWTON of Missouri, is a profound student of waterway transportation problems, but he is especially familiar with the history of the improvement of the Missouri River and with the outlook as to future commerce being carried upon the stream. He is in position to inform the House as to this stream much better than anyone else and he has consented to place his information at the service of the House. I, therefore, leave this subject to be dealt with by him, feeling certain that we will all be instructed by what he has to say on the question.

The following table showing the project depth of the various rivers in the central part—in the heart—of the country, of the number of miles to be improved in each river, and of the progress toward completion of the various projects will be of interest:

Projects.	Project depth (feet).	Length (miles).	Per cent completed.
Mississippi River:			
New Orleans to Ohio River.....	9	1,947	Completed.
Ohio River to St. Louis.....	8	200	35.
St. Louis to Minneapolis.....	6	664	65.
Missouri River, Kansas City to mouth.....	6	398	34.
Ohio River.....	9	968	74.
Illinois River.....	8	226	
Illinois and Mississippi Canal.....		104	
Ouachita and Black Rivers, Ark. and La.....	6½	360	
Tributaries of Ohio River:			
Cumberland River.....	6	518	49.
Tennessee River.....	6	257	82.
Monongahela River.....	8	131	Completed.
Allegheny River.....	8	61	45.
Kanawha River.....	6	90	Completed.
Muskingum River.....	5½	91	Do.
Big Sandy River.....	6	57	Do.
Kentucky River.....	5	260	Do.
Green and Barren Rivers.....	5½	217	Do.
Rough River.....	4½	30	Do.
Little Kanawha River.....	4	48	Do.
Total mileage.....		6,627	

When this great wide-spreading chain of natural waterways has been completed it will have as its combined length 6,627 miles—more than twice the distance across the continent from the Atlantic to the Pacific.

Gentlemen who have had doubt about the wisdom and the value of improving the rivers of our country will, I believe, be astonished to learn that the 12 rivers which are listed by the Chief of Engineers as being the principal rivers and the improvements which I have described in detail carried, in 1921, one of the poorest years for a long time for traffic, the enormous total of 31,253,307 tons of commerce. Taking for each of these 12 rivers the year when it carried its largest amount of traffic, I have no doubt that the total of the commerce borne by these streams on such a computation would be found to be 40,000,000 tons. If the commerce on these rivers can reach such a magnificent figure with the channels incomplete, with capital waiting to construct barges and ships until the improvements have been completed and until the channels lead from one industrial and commercial center to another and through great centers of population and wonderful undeveloped resources, awaiting only a reasonable and certain means of conveyance to points of development and consumption; with the localities along the routes waiting to build terminals and warehouses; with railroads putting off the making of connections with the boat lines, what and how great will be the commerce when capital is encouraged to invest in ships, when people see that docks and warehouses will be used, and when railroads know that, if they connect with the docks, they will receive shipments. If the commerce is 40,000,000 tons to-day, what will it be when these projects have all been completed and these great changes take place? While we can not foresee the future we can look to a completed project like the harbors and channels of the Great Lakes and see the marvelous tonnage which has developed there and the low rate at which it is carried since the improvements on the Lakes were finished.

The engineer's estimate for what was denominated as "secondary rivers," in spite of the fact that many of them furnish the only means of transportation to the people who reside in their vicinity, is only \$1,000,000. The total tonnage of these rivers in 1921, the poorest of recent years for transportation, as has been already pointed out, amounted to over 5,000,000 tons.

One of these secondary rivers alone carries over 1,000,000 tons of freight, and two others over a half million. There are altogether 58 of these secondary rivers. No one can believe that less than \$1,000,000 should be appropriated for all of these rivers, carrying 5,040,921 tons of commerce. Only \$181,820 is appropriated for improvements, and the balance of \$826,980 is for maintenance.

It is obvious from the fact that we need for our seacoast harbors and coastwise channels \$36,000,000; for our Lake harbors and channels \$3,000,000, making \$39,000,000, \$2,000,000 more than the \$37,000,000 proposed by the committee in charge of the bill for all of our rivers and harbors; that our rivers will have to go without any part of the \$17,000,000 which they so badly need. Realizing, as we all must, that the appropriation problem is one from the interior to the seacoast, and from the West to the thickly settled East, by the Great Lakes, and over the nearly 7,000 miles of the Mississippi and its tributaries, who would be satisfied to appropriate nothing for the rivers of the country?

So one of the questions and a great question to be decided by each member is whether he is prepared to support the continuance of the improvement of our waterways which carry 45,000,000 tons of freight or wants to reduce the estimates of the engineers so that nothing there will be left for either maintenance or improvement of our great inland waterways.

And when each member has considered and decided this question, he will find himself confronted by another. In September last the House, by an overwhelming majority, passed a rivers and harbors project bill adopting 40 new projects, at an estimated cost of \$43,792,100, and the Chief of Engineers has estimated that \$13,547,920 can be spent profitably on these new projects in the coming year.

The adoption of these new projects grew largely out of the traffic necessities which have developed on account of the vastly increased and rapidly growing commerce of the country. For instance, during the World War freight cars were piled up, loaded for shipment, for 50 miles outside the city of New York owing to the traffic situation in New York City. Now, all of the commerce from the interior of the country and all that comes from abroad, whether destined for New York or beyond it, must pass through the most congested business district of the city of New York. This results in endless and long delays and in very great transfer and terminal charges, the combined effect being most burdensome to the shipper and the consumer.

The port of New York realized the seriousness and the necessity of promptly remedying these conditions. The municipalities around New York Harbor, in New York and New Jersey, have combined through legislation in the two States and of Congress to modernize the port by the construction of channels and the building of railroads, warehouses, and docks so that the traffic destined beyond New York either from abroad or from the interior and the traffic which is to be warehoused and distributed from New York shall pass through the outskirts of the city or through tunnels, and congestion, unreasonable expense, and delay be avoided.

To accomplish this end the port authorities will spend \$500,000,000 or more. All of this work and this vast expenditure will, however, be unavailing unless the United States does its part, and so in the project bill of last September Congress provided for the deepening of the New York and New Jersey channels and of Newark Bay so that shipments by the numerous transcontinental railroads, which terminate in New Jersey, may be transferred direct from the railroad tracks to the ocean liners and shipments from abroad from the ocean liners to the railroad dock.

In the same way we provided for the improvement of Jamaica Bay, which will receive shipments from abroad and from the interior destined abroad, which will shorten the ocean voyage both ways by about 30 miles, as well as shipments to and from New England, and will provide as well new and great additional dock and warehouse facilities and rail accommodation, exchanges, and transfers.

All of the vast expenditure by the New York port authorities will go for naught unless the Federal Government does what the September bill provided for it to do—unless it digs the channels through Kill Van Kull and Newark Bay and in Jamaica Bay. All of Staten Island, too, is given a modern depth by the recent bill, and it will all become available for warehouse and dockage if the Staten Island project is completed within a reasonable time. The whole country is interested in relieving the congestion and in expediting the transfer and reducing the cost of it in and about New York City. The shipper and the consumer both suffer from present conditions, and that includes pretty much everyone in the United States.

The amount to be expended by the Federal Government is a mere trifle compared with what the locality itself is ready and willing to expend. Is there anyone who doubt the advisability, nay, the absolute necessity, of the prompt completion of these three new projects?

Now, let us go down to the Gulf coast and we find that there the Sabine-Neches waterway is one of the marvels of modern commerce in the rapidity of its development and in the volume of its commerce. In 1901 this waterway carried only 150,000 tons of freight. In 1921 it had grown to over 11,000,000, including both that originating and that carried in transit, almost wholly oil, valued at \$400,000,000. This waterway has a depth of only 25 feet, while the tankers which navigate it draw from 30 to 35 feet. So they can only be partially loaded and the cost of transportation is unnecessarily and unduly high. Nothing is of broader general use than oil and its products, and so the bill of last September provided for a depth in this waterway of 30 feet. Surely everyone will agree that, in the interest of as low a cost as possible for oil and gasoline, this project should be completed at the very earliest date possible.

Next, we go over to the Pacific coast and its two great ports—Coos Bay and Umpqua Bay—with countless billions of feet of Government timber, the best timber and greatest trees in the world. The forests of New England have long since been exhausted. Of late the East has been depending upon the South for its lumber. The peak of production was reached there several years ago. Since then the production has been declining. The local demand is constantly growing and the time is near at hand when the South will need all of its lumber for home consumption. There will remain then no place from which the East and the Middle West can secure a supply of timber except from the Government forests of Washington and Oregon, but the price will be prohibitive unless this lumber can be brought to us by water in deep-draft ships, and such transportation will be impossible unless great harbors like Coos Bay and Umpqua Bay are improved. The Government alone will receive a large amount in the increased value of its timber for whatever is expended in making these improvements. In the interest of the Government alone, as well as in the interest of the people of the country, these two bays should be improved without delay.

Yet, if the appropriation for rivers and harbors is only \$37,000,000, as proposed in the bill, very little will be done on the great projects approved in the September bill, of which New York Harbor, the Sabine-Neches waterway, Coos Bay, and Umpqua Bay are only fair samples. It would be bad business judgment, when both the new projects and the old projects can not be prosecuted owing to the inadequacy of the funds available, to tear up the Government plants which are prosecuting the work of the old projects and transfer them to the new projects. Such a course would be expensive in the extreme and would not be warranted. And so, unless the amount recommended by the engineers is appropriated, all of the efforts to modernize the waterways and the waterway transportation system of the country to fit them to meet the present needs of the country—in oil, in lumber, in coal, in all of the great necessities—will fail and be deferred to some later and unknown day. Can the country afford this? Should not the judgment of the House deliberately expressed in the passage of the September project bill be respected and the \$13,000,000 needed for the coming fiscal year for starting new projects be appropriated? Nothing will have been appropriated for these new projects unless the amount embodied in the amendment is approved by the committee and that amount is appropriated.

It is suggested that there is \$12,000,000 in the Treasury which should be added to the \$37,000,000 carried in the bill. This amount is very much less than the amount of the available balance in the Treasury at the end of most fiscal years, as will be seen from the following statement:

Fiscal year ending June 30—	Unexpended balance at end of fiscal year.	Contract obligations and outstanding liabilities.	Balance available at end of fiscal year.
1917.....	\$45,136,143.44	\$17,317,432.45	\$27,818,710.99
1918.....	49,790,388.19	15,866,560.64	33,923,827.55
1919.....	82,847,287.50	16,328,740.58	66,518,546.92
1920.....	65,196,675.83	26,071,973.55	39,124,702.28
1921.....	44,347,323.23	12,634,775.39	31,712,547.84
1922.....	17,076,321.67	7,339,934.57	9,736,387.10

This matter is placed in a still clearer light by the following table, showing the amounts available in the Treasury at the

times when the appropriations were made, in the years 1919, 1920, and 1921, as follows, viz:

Date of appropriation.	Unexpended balance at end of month prior to date of appropriation.	Contract obligations and outstanding liabilities.	Balance available at end of month prior to date of appropriation.
Mar. 1, 1919.....	\$58,414,366.87	\$11,519,836.77	\$46,894,530.10
June 5, 1920.....	55,583,809.15	25,881,894.93	29,711,914.22
Mar. 1, 1921.....	39,507,132.45	16,286,743.97	23,220,388.48

The opinion of the Chief of Engineers of the result of keeping less than \$12,000,000 in the Treasury as an emergency fund is expressed as follows:

It would, of course, be practicable to have less than \$12,000,000 available in the Treasury, but a lesser amount than this would mean practical cessation of all active river and harbor operations, as was the case on June 30, 1922, when the available balance ran down to a little less than \$10,000,000. Among the reasons why the operations will largely cease when the available balance runs below \$12,000,000 may be mentioned the following:

(a) The number of improvements now carried on the books is approximately 500. The balance is not distributed equally among these improvements, but is concentrated among a few of the larger improvements, such as the East River, Delaware River, Ohio River, and a few others where conditions are such that it is impracticable to reduce the balances to low figures. This means that the greater number of the improvements will be without any applicable funds.

(b) The Engineer Department has a floating plant of which the first cost is between \$25,000,000 and \$30,000,000, and whose present value is considerably in excess of its first cost. Included in this plant are about 160 dredges, 175 snag and derrick boats, 200 towboats, and other valuable pieces of plant. The maintenance and operation of this plant amounts to a very considerable sum per month, and the funds can not be reduced to such a low point as to prevent proper care of the plant in case of its being necessarily laid up for lack of funds to operate it.

(c) During the fiscal year ending June 30, 1922, the number of employees of the Engineer Department varied from 10,618 to 24,888. The reduction of the available funds to a low point would necessitate the discharge of a very large number of these employees, many of whom, even in the unskilled positions, are men who have been employed for years and who are thoroughly conversant with their duties. The disorganization which would result from the discharge of these men and a complete cessation of work would cost the Government a very large sum of money. It can not be calculated in dollars and cents, but it would be a very material loss.

(d) It is always possible that emergencies may arise which may make it necessary to do some immediate work for the relief of navigation or the protection of Government works. For this reason a reasonable working balance is necessary.

5. As shown by the data above, the only time the available balance has been reduced to less than \$12,000,000 in the past six years was in June, 1922, and, as stated above, at that time the river and harbor work was by this fact brought practically to a standstill, and the same will be true at any other time that the balance is reduced to that point. It can be confidently predicted that we can not safely permit the balance on June 30, 1924, to be less than this amount, and whatever sum may be appropriated at this session of Congress will be the amount that can be used during the next year.

In conclusion, if we are to increase the value of our rivers by multiplying the freight carried by them; if we are to realize the benefit of the wise expenditures we have already made and not continue indefinitely to lose the interest on the vast sum already spent; if we are to relieve congestion and enable the farmer and the manufacturer to send his product to market; if we are to avail ourselves of the only cheap transportation possible, we should help the engineers in their estimates and appropriate \$56,000,000. [Applause.]

Mr. STAFFORD. Mr. Chairman, I yield five minutes to the gentleman from Michigan [Mr. JAMES].

Mr. JAMES. Mr. Chairman, ever since Henry Ford made his proposal to operate the nitrate plants and lease the water power at Muscle Shoals, there has been a great campaign of opposition on the part of certain interests and their friends, who are evidently determined to defeat the acceptance of the Ford proposal. Running through this opposition is the constant claim that the farmers will be disappointed who expect to secure any fertilizer benefits by the operation of Muscle Shoals under the Ford offer. It has been claimed that—

Those who favor the Ford offer are fooling the farmer when they claim that Henry Ford will use the plant at Muscle Shoals and the water power at Dams Nos. 2 and 3 for the manufacture of fertilizer.

The National Fertilizer Association, in a pamphlet of propaganda against the Ford offer, said on page 6:

Another misconception is that through the operation of the Muscle Shoals nitrate plant the farmer would receive a plentiful supply of fertilizer at reduced prices.

And the Kearns report, from a minority of the Committee on Military Affairs, states on page 3, with regard to fertilizer production under the Ford offer:

Our position is that this is a hollow promise made to enlist the support of the farmers and not absolutely binding on any fact contained in the contract or existing outside of the contract.

Mr. Chairman, if these statements are true there is a "joker" in the Ford proposal, and it must be a remarkable "joker"—a "joker" capable of misleading not only the majority of the members of the Military Committee of this House but the majority of the farmers of the United States.

NO "JOKER" IN SECTION 15.

There is one sure way to find the answer to these statements, and that is in the Ford offer itself. Paragraph 15 of Mr. Ford's signed offer says in plain English:

15. Since the manufacture, sale, and distribution of commercial fertilizers to farmers and other users thereof constitutes one of the principal considerations of this offer the company expressly agrees that continuously throughout the lease period, except as it may be prevented by reconstruction of the plant itself or by war, strikes, accidents, fires, or other causes beyond its control, it will manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, according to demand, at Nitrate Plant No. 2 or its equivalent, or at such other plant or plants adjacent or near thereto as it may construct, using the most economical source of power available. The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen, which is the present annual capacity of Nitrate Plant No. 2. If during the lease period said Nitrate Plant No. 2 is destroyed or damaged from any cause, the company agrees to restore such plant within a reasonable time to its former capacity * * *

ENOUGH NITROGEN TO MAKE 2,000,000 TONS OF 2-3-2 MIXED FERTILIZER ANNUALLY.

I contend, Mr. Chairman, that this constitutes a definite binding agreement to produce at least 40,000 tons of fixed nitrogen annually, which is enough nitrogen to make 2,000,000 tons of 2-3-2 mixed fertilizer. I might say in passing that in 1921 there were only 5,000,000 tons of fertilizer consumed in the United States, so that Mr. Ford's obligation represented 40 per cent of the country's entire tonnage for that year.

WHAT THE ACTING JUDGE ADVOCATE GENERAL OF THE ARMY SAYS ABOUT IT.

It has been maintained, it is true, that the expression "except as it may be prevented by the reconstruction of the plant itself or by war, strikes, accidents, fires, or other causes beyond its control" offers a loophole, because the market price itself may be a cause beyond the control of Mr. Ford or his company, and that the inability to compete in the fertilizer market might be sufficient cause to warrant him in stopping the manufacture of fertilizer. Fortunately the highest legal authority in the Army has already passed on this point. On February 10, 1922, Col. John A. Hull, Acting Judge Advocate General, testified before our committee as follows:

Mr. PARKER. Then it is a serious matter of doubt whether he would have to go on and have to dispose of the goods at a loss if the market price was below what he could make it for?

Colonel HULL. He would have to do it, unless relieved either by Congress or a court of equity.

Mr. PARKER. But it says, "other causes beyond his control," and the price of the goods on the market would be beyond his control.

Colonel HULL. As I said, in my judgment the courts would not hold that price would be "other causes beyond his control."

Mr. PARKER. You think not?

Colonel HULL. No, sir.

The Acting Judge Advocate General also gave us the following testimony that day:

Mr. HULL. If we accept this contract with Mr. Ford, does that leave us free of any contract or liability with any other company?

Colonel HULL. I should say so.

Mr. HULL. You had something to do, as I understand it, with the drafting of this contract?

Colonel HULL. It was drafted in the office.

Mr. HULL. Then I presume you know something about the liability of Mr. Ford under that contract?

Colonel HULL. Yes, sir; it has been studied.

Mr. HULL. Would he be bound to produce fertilizer under that contract if it was found possible?

Colonel HULL. As now drafted?

Mr. HULL. As now drafted he would have to produce at least—

Colonel HULL (interposing). To the maximum capacity of plant No. 2.

Mr. HULL. There would not be any question about that?

Colonel HULL. There is not any, in my mind.

The CHAIRMAN. Under what section?

Colonel HULL. Section 14.

Mr. HULL. Suppose he could not produce it; that it was found physically impossible to produce the fertilizer compound in paying quantities; what would be the result so far as the contract with the Government goes?

Colonel HULL. If the Government insists, a court of equity would grant relief, and not compel the performance of the impossible.

Mr. HULL. What section of the second contract with Mr. Ford covers that?

Colonel HULL. Section 14.

Mr. HULL. If it was found impossible to produce this fertilizer, I presume of course he would be enabled to take the hydroelectric power that was supposed to go into the production of the fertilizer and use it or sell it as he saw fit?

Colonel HULL. Yes; but, of course, he would be obligated to maintain his laboratory and experiments and try to produce.

Mr. HULL. He would have to keep experimenting and trying to produce fertilizer?

Colonel HULL. Yes, sir.

OPPOSITION SAYS HE CAN NOT DO IT EVEN IF HE AGREES TO DO IT.

But the opposition maintains that even if Mr. Ford has agreed to make fertilizer at Muscle Shoals he will not be able to do so. Mr. J. O. Hammitt, vice president of the Air Nitrates Corpora-

tion, the designers and builders of Nitrate Plant No. 2, on February 20, 1922, testifying before our committee, said, regarding Nitrate Plant No. 2:

The plant can not be operated commercially, Congressman, because it is not capable of making anything that has a market on which you could get back the cost of production * * *. It is simply not a practicable commercial proposition.

WHAT THE PRESIDENT OF THE NATIONAL FERTILIZER ASSOCIATION HAS TO SAY.

On the following day, before our committee, Mr. C. H. MacDowell, president of the Armour Fertilizer Co. and president of the National Fertilizer Association, referring to the cyanamid process at Nitrate Plant No. 2, testified:

Inside of five years this method will probably be called obsolete—

And Dr. Charles L. Parsons, consulting chemist, member of President Wilson's nitrate commission, testifying before our committee on March 10, 1922, said:

You can never hope to do anything with plant No. 2, and anybody that runs it will lose money very rapidly. * * * I do not believe Mr. Ford or anyone else can operate plant No. 2 to make fertilizer.

And the National Fertilizer Association in their booklet against the Ford offer say on page 5:

The fact is that neither Mr. Ford nor anybody else could make any fertilizer or fertilizer material through the use of the Muscle Shoals nitrate plant in time of peace even with cheap water power, except at a cost of production substantially greater than the present wholesale market price.

"HE CAN'T DO IT! HE CAN'T DO IT! HE CAN'T DO IT!"

So the chorus goes. He can't do it! He can't do it! But, in the name of common sense, Mr. Chairman, if he can't do it what is all the fuss about? My contentions are that if Mr. Ford gets Muscle Shoals it not only will be done, but the price of fertilizer will be reduced even before a wheel is turned at Muscle Shoals.

The opposing interests know very well that Mr. Ford's offer does not tie him down to any given process, for in paragraph 15, which I have just read, Mr. Ford says that his company will produce 40,000 tons of fixed nitrogen annually "at Nitrate Plant No. 2, or its equivalent, or at such other plant or plants as it may construct, using the most economical source of power available."

Does that mean that Mr. Ford is compelled to use the present cyanamid process—a process which has recently failed in Norway, where they have the cheapest water power in the world—in order to produce 40,000 tons of fixed nitrogen, sufficient to make 2,000,000 tons of 2-8-2 mixed fertilizer? Not at all. On the other hand, he definitely agrees in paragraph 14, section (a), to determine by research whether improved processes are available, and if so found and determined, to reasonably employ such improved methods.

PRESIDENT OF AMERICAN CYANAMID CO. BELIEVED FARMER WOULD GET CHEAPER FERTILIZER.

What is the testimony, Mr. Chairman, about these improved methods? Throughout the hearings during the past six years there runs the definite statement that air-fixation processes do exist whereby fertilizers may be furnished to the farmer for about one-half of what he would otherwise pay for them. That was the statement of Mr. F. S. Washburn, president of the American Cyanamid Co., before the House Committee on Agriculture, on February 9, 1916, when he said:

My anticipation is that the establishment of the nitrogen industry as it can be established, with what I believe and what I believe would appeal to those who study the subject is the proper and legitimate Government cooperation, will give the farmer his fertilizer for one-half of what he would otherwise pay for it.

And in the same year Dr. L. H. Baekeland, one of the foremost independent American chemists, member of the United States Naval Consulting Board, member of President Wilson's nitrate supply committee, testified before the Senate Committee on Agriculture and Forestry, March 24, 1916:

The statement is made by the present Government monopoly in Germany that after the war is over and after what they know now about the synthetic manufacture of nitrogenous fertilizer from the air, after all the experience they have acquired during this war while making nitric acid, that they will be in such condition that they intend to furnish the farmers of Germany nitrogen fertilizer at about one-half the price it is costing the consumer here in the United States. If Germany can do that, gentlemen, there is not the slightest doubt in my mind that we can do the same here or that we can do better.

WHAT GERMANY HAS DONE.

How have these predictions been fulfilled? Germany is the great outstanding example of a country which, driven by the necessities of relentless warfare, was compelled to install and adopt these improved processes; and Doctor Parsons, testifying before our committee on March 10, 1922, said:

Ammonium sulphate is selling in Germany to-day, on our exchange, for approximately one-half the price it is selling in the market here.

And the Koppers Co., of Pittsburgh, in arguing for a duty on sulphate of ammonia to protect them, as they claim, against these war-built air-fixation nitrate plants of Germany, state on page 8:

The cost of operating these plants is relatively low, so that even to-day sulphate of ammonia is being sold in Germany at half the price in the United States, based on the present rate of exchange.

MR. MAYO THINKS FERTILIZER PRICES COULD BE CUT IN HALF.

This is all confirmed by Mr. Ford's representative, Mr. W. B. Mayo, in the following testimony before the Senate Committee on Agriculture (Hearings, p. 280):

Senator HEFLIN. The trust fixes the price of fertilizer to-day, Mr. Mayo, and it absolutely robs the farmers at the prices that it charges. I understand it is the purpose of Mr. Ford to manufacture fertilizers cheaper, so that the farmer will be able to buy fertilizers cheaper than he can buy them now under the trust control. Is not that the purpose?

MR. MAYO. Well, offhand, we think we could make fertilizer at about half the price it is sold for to-day.

I want to say that I agree with Doctor Baekeland, that if Germany can do that, gentlemen, there is not the slightest doubt in my mind that with the resources and organization at his command Mr. Ford can do the same thing here, or that he can do better.

TWO MILLION TONS OF 2-8-2 MIXED FERTILIZER ANNUALLY FOR THE FARMERS.

Testifying regarding the advantages to agriculture of Mr. Ford's operations at Muscle Shoals, Mr. Mayo testified before our committee (Hearings, p. 977):

Nitrate Plant No. 2 will produce some 2,000,000 tons of completed 2-8-2 fertilizer, or somewhat more than 25 per cent of the annual fertilizer consumption of the United States. If Mr. Ford's economies result in saving only \$15 per ton to the farmer, on only this amount of production, the annual saving would be \$30,000,000, and the saving in 100 years, without interest, would be \$3,000,000,000.

WHAT 40,000 TONS OF FIXED NITROGEN MEANS.

But, they say, Mr. Ford has not agreed to produce sulphate of ammonia. He has agreed to produce 40,000 tons of fixed nitrogen. What does that mean?

In brief it means enough nitrogen for the production of—

110,000 tons of ammonium nitrate, because ammonium nitrate contains 35 per cent nitrogen, or
160,000 tons of ammonium sulphate (which is the same thing as sulphate of ammonia), which contains 21 per cent nitrogen, or
220,000 tons of cyanamid, containing 21 per cent nitrogen, or
250,000 tons of Chilean nitrate, containing 15 per cent nitrogen, or
2,000,000 tons of 2-8-2 mixed fertilizer, containing 2 per cent nitrogen.

But the fertilizer which Mr. Ford would produce probably would not be any of these materials, but one of the more concentrated forms containing both nitrogen and phosphoric acid, which experts from the Department of Agriculture have testified could and should be produced at Muscle Shoals.

Since it has been shown before our committee, Mr. Chairman, that freight constitutes fully one-half of the cost of fertilizer delivered to the farmer, Mr. Ford would not need to produce improved products more cheaply than present products, but could greatly cheapen the cost of fertilizer if he merely produced fertilizer at present costs per unit of plant food, provided he produced the fertilizers in a more concentrated form and sold them, as provided in his offer, direct to the farmers and their agencies, thereby eliminating the greater part of the freight, handling charges, selling expenses, commissions, and so forth.

OBLIGATION TO MAKE FERTILIZER NOT CONTINGENT ON FORD'S MAKING A PROFIT.

But other opponents of the Ford offer state:

Mr. Ford, in his proposition to the Secretary of War, has not agreed to make one pound of fertilizer at Muscle Shoals unless he can make it at 8 per cent profit to himself.

Evidently these gentlemen have never read the definite written proposal which Henry Ford has signed. Whatever he may or may not have said in conversations with the Secretary of War or anyone else, Henry Ford finally signed and nailed down in his formal offer a definite obligation to produce the equivalent of 2,000,000 tons of 2-8-2 mixed fertilizer annually, and, as for the matter of profit, Mr. Ford states in his proposal:

In order that farmers and other users of fertilizer may be supplied with fertilizers at fair prices and without excessive profits, the company agrees that the maximum net profit which it shall make in the manufacture and sale of fertilizer products shall not exceed 8 per cent of the fair actual annual cost of production thereof.

Here we have a clear, straightforward statement—not that the manufacture of fertilizer is contingent upon Mr. Ford's ability to make 8 per cent or any other per cent, but a voluntary limitation upon his profits.

THE WAY SENATOR NORRIS UNDERSTANDS IT.

This was made clear in the testimony of Mr. Ford's chief engineer, Mr. Mayo, before the Senate Committee on Agriculture, of which Senator NORRIS is chairman (Senate hearings, p. 301):

The CHAIRMAN. My understanding of this proposition is that under this offer Mr. Ford would have to make fertilizer whether he made a profit or whether he did it at a loss, but that he could not make more than 8 per cent. Is that your understanding?

Mr. MAYO. That is correct; yes, sir.

Senator KENDRICK. Would he have to continue to make a fixed amount without regard to profit?

The CHAIRMAN. To the capacity of this plant.

Mr. MAYO. The amount stated here is the minimum amount, too.

FAIR ACTUAL ANNUAL COST OF PRODUCTION.

If Mr. Ford makes any profits at all, they are not to exceed 8 per cent on the fair actual annual cost of production, and a board of farmers representing the three great American farm organizations—the American Farm Bureau Federation, the National Grange, and the Farmers' Union—determine what is meant by the words "fair actual annual cost of production." Could any sane, reasonable man ask more?

The farmers, say Ford's opponents, are being fooled by his offer to limit his profits to 8 per cent. But, Mr. Chairman, the farmers are not fooled about the Ford offer. Neither are they fooled about the profits that the fertilizer companies have made out of them. The farmers know that these fertilizer interests, who would protect the poor farmer against the deceptions of the Ford offer, have been engaged in an industry that is more than 50 years old. The farmers know well that in all that time not one of these fertilizer makers has ever offered to open his books and let his customers pass on the fairness of his business transactions or to limit his profits to 8 per cent.

FERTILIZER CLAUSES WRITTEN BY THE REPRESENTATIVES OF THE FARMERS.

It was the representatives of the farm organizations who themselves prepared the fertilizer clauses of the Ford proposal, and in order that there may be no doubt on this point I am inserting in the RECORD the following letters from the American Farm Bureau Federation:

JANUARY 15, 1923.

Hon. W. FRANK JAMES,
House Office Building, Washington, D. C.

DEAR MR. JAMES: In compliance with your request for the history of the writing of the fertilizer guaranty clause of the Ford proposal I wish to advise you that at the time the wording of this proposal was being drawn up Mr. Ford's representative asked that the farmers check over this provision and make such changes as they thought would best protect their interests. This was agreed to. At a conference in the office of the American Farm Bureau Federation there were present Mr. Milo Campbell, of the National Milk Producers' Federation, Mr. B. F. Bower, who for many years has studied the Muscle Shoals development, and the writer. These represented the farmers; Mr. Mayo and Mr. Worthington representing Mr. Ford. The following changes were recommended by the farmers and agreed to by Mr. Ford's representatives, who agreed that they would get the approval of Mr. Ford to these changes, which they subsequently did.

The changes asked by the farmers were as follows: That the manufacture of commercial fertilizer be definitely provided for in the contract; that any improvement which may result from the research should be reasonably employed. In paragraph 15 where it might have been interpreted that the cost limitation would seem to be only at Nitrate Plant No. 2, the phrase "at Nitrate Plant No. 2" was stricken out entirely, leaving the maximum cost to apply to all fertilizer production. The word "fair" was inserted in advance of "actual annual cost of production thereof," which would give the board of farmers power to question the cost as to whether it is fair or not and eventually land a decision on this matter in the Federal Trade Commission. The distribution clause with reference to the authority of the board was written by the farmers and we believe safeguards their interests entirely.

Since these changes were made, at the request of the Military Committee, other slight changes in this section have been made, especially with regard to setting up the farmers' board, and these changes have been approved by the farmers' organizations.

With reference to your request to advise whether the fertilizer guaranty is adequate, I am inclosing a copy of a careful analysis of this clause prepared by the Farm Loan Federation and sent to their membership, and since this has been done we have had no criticism from any farmer as to the guaranty to manufacture fertilizer.

It is very significant to us that all three of the leading farm organizations whose interest in fertilizer is paramount, and consequently whose interest in this fertilizer guaranty clause is most vital, have approved the Ford proposal, including this clause; while the questioning of this fertilizer guaranty clause comes largely from the fertilizer manufacturers and the opposition to the Ford proposal.

I trust this information will be what you desire.

Yours very truly,

AMERICAN FARM BUREAU FEDERATION,
GRAY SILVER,
Washington Representative.

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., August 15, 1922.

Due to the fact that Members of Congress and others honestly criticizing the Ford proposal for Muscle Shoals are uninformed as to what fertilizer is and of what it consists, there has been a contention raised by some with reference to the guaranty of the manufacture of fertilizer. In addition, there has been undoubted misrepresentation. Section 15 begins by setting out that "the manufacture, sale, and distribution of commercial fertilizers * * * constitute one of the principal considerations of this offer." This emphasis makes this section the most important of the terms of the proposal, upon the viola-

tion of any of the terms of which the Attorney General may institute proceedings for the purpose of canceling and terminating the entire lease (see sec. 19).

With this acknowledgment that the manufacture and the sale of fertilizer is one of the principal considerations, "the company expressly agrees that continuously throughout the lease period" (then follows the standard business proviso in all contracts), "except as it may be prevented by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control, it will manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, according to demand * * * using the most economical source of power available. The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen * * *."

There is nothing whatever in this section that permits Mr. Ford to stop the manufacture of fertilizer at Muscle Shoals without violating a term of the contract which he has expressly indicated is the most important responsibility which he assumes. Should he fail in any year to manufacture an amount of fertilizer containing 40,000 tons of nitrogen, unless he had been prevented by any of the exceptions as set out above, he has violated a term of the contract, and the penalty is cancellation of the lease of the power. The failure to make 8 per cent profit, or the failure to make any profit, or the inability to manufacture this fertilizer at less than it is sold is not a "cause beyond its control" and would not give him the right to cease the manufacture of the full amount of fertilizer.

This statement is based upon the testimony of the Judge Advocate General's office of the War Department on page 186 of the House hearings:

"Mr. PARKER. Then it is a serious matter of doubt whether he would have to go on and have to dispose of the goods at a loss if the market price was below what he could make it for?"

"Colonel HULL. He would have to do it unless relieved either by Congress or a court of equity."

"Mr. PARKER. But it says 'other causes beyond his control,' and the price of the goods on the market would be beyond his control."

"Colonel HULL. As I said, in my judgment the courts would not hold that price would be 'other causes beyond his control.'"

"Mr. PARKER. You think not?"

"Colonel HULL. No, sir."

Commercial fertilizers are nitrogen fertilizers, phosphate fertilizers, and potash fertilizers, or combinations of these materials suitable for use by farmers. Mr. Ford's proposal is to "manufacture nitrogen and other commercial fertilizers, mixed or unmixed and with or without filler, according to demand." "Other commercial fertilizers" must include phosphate or potash fertilizer ingredients, as distinguished from nitrogen commercial fertilizers. Mr. Ford will not fulfill his contract if in addition to the nitrogen fertilizers he does not produce either phosphate fertilizers or potash fertilizers, and the methods of producing phosphate fertilizers are well known, and the source of material is within 40 miles of Muscle Shoals plant in the Tennessee phosphate fields, and there are great possibilities in the production of potash from potash shales and other materials by the use of the electric furnace.

The nitrogen content of these fertilizers required to be manufactured—40,000 tons of fixed nitrogen—is simply a measure of the amount of nitrogen that shall be contained in these fertilizers. It must be borne in mind that this 40,000 tons of nitrogen is 100 per cent pure nitrogen. Nitrate of soda contains only 16 per cent of pure nitrogen, so that this 40,000 tons of pure nitrogen is equivalent to 250,000 tons of Chilean nitrate of soda, which is equal to the entire amount annually imported from Chile used by the farmers during the normal period just prior to the war, on which the farmers paid an export duty to Chile of \$2,800,000. Ordinary mixed commercial fertilizers contain on an average less than 3 per cent of pure nitrogen. A fair figure for the average tonnage produced and consumed in the United States would be 2½ per cent of pure nitrogen content to each ton of fertilizer. The 40,000 tons at Muscle Shoals would furnish nitrogen for 1,600,000 tons of this average mixed commercial fertilizer. Furthermore, this is the minimum amount which Mr. Ford guarantees to make under his proposal; and, in addition to this content of nitrogen fertilizer, Mr. Ford agrees to make other commercial fertilizers, as we have shown above, which must necessarily increase the tonnage of fertilizer materials produced at Muscle Shoals under this contract.

To produce this amount of nitrogen at Muscle Shoals will require 100,000 continuous horsepower, using the process now provided there, or, should economy warrant changing this to the Haber electrolytic process, as advocated by the Ordnance officers, would require 125,000 continuous horsepower. The production of 110,000 tons of phosphoric acid, which amount would reasonably be required, "according to demand," to be combined with this 40,000 tons of pure nitrogen, will require 100,000 more of continuous horsepower. At Muscle Shoals, including the steam plants available, Mr. Ford secures only 240,000 continuous all the year around horsepower from the development covered by the contract, so that practically the entire amount of the continuous available horsepower at Muscle Shoals would, according to the contract, be utilized in the manufacture of fertilizer, without considering the power required for potash production, with regulation of profits agreed to and a board of farmers to determine the cost and regulate the price.

Very truly yours,

AMERICAN FARM BUREAU FEDERATION,
GRAY SILVER,
Washington Representative.

The ones most to be injured by a "joker" are the farmers, but they are the ones who drew up the language which, they are satisfied, protects them thoroughly. It is absurd to suppose that these interested parties would deliberately put a "joker" into the contract for the purpose of fooling themselves. No such thing is reasonable and no such thing was done.

PROFITS OF AMERICAN AGRICULTURAL CHEMICAL CO.

The farmers also know that these fertilizer people have made decidedly more than 8 per cent. In order that this House may know that the farmers are not mistaken, I would like to insert the record of just one of these fertilizer companies—not the largest one by any means. It is known as the American Agricultural Chemical Co.

The Secretary of War testified before our committee that the common stock of this concern was given as a free bonus to purchasers of preferred stock at par. An investment of \$100 in their preferred stock in 1899 earned 46 per cent in the year 1918 alone, and since 1910 that \$100 investment has earned a total of 243 per cent and has received a liberal dividend every year.

PROFITS IN THE FERTILIZER BUSINESS.

Secretary Weeks testified before the House Committee on Military Affairs (House hearings on Muscle Shoals, 1922, p. 29) that the American Agricultural Chemical Co. was organized about 20 years ago on a basis of "giving to every stockholder a share of preferred stock and a half share of common stock for \$100." The par value of both kinds of stock was \$100, so that this amounted to selling the preferred at par with the common as a free bonus.

The earnings of a \$100 investment, therefore, were the earnings on one share of preferred stock plus the earnings on one-half share of common stock. Both having the same par value, the earnings were as follows:

Year.	On preferred. ¹	On common. ¹	Total earnings on a \$100 investment.
	Per cent.	Per cent.	Per cent.
1910.....	15.45	10.42	20.66
1911.....	13.95	9.05	18.47
1912.....	9.43	7.34	13.10
1913.....	9.56	5.23	12.17
1914.....	11.31	7.68	15.15
1915.....	13.34	10.97	18.82
1916.....	19.80	20.58	30.09
1917.....	20.08	21.10	30.63
1918.....	29.33	35.01	46.83
1919.....	14.65	7.89	18.59
1920.....	14.62	7.66	18.45

¹Statement of Hayden Stone & Co. and Moody's Manual.

Yet Ford agrees to limit his profits to a maximum of 8 per cent.

Profits since organization in 1899 of the American Agricultural Chemical Co.

[From annual reports of the company.]

ANNUAL PROFIT FOR YEAR ENDING JUNE 30.

1903.....	\$1,398,895.05
1904.....	1,500,771.09
1905.....	1,635,187.39
1906.....	1,774,314.50
1907.....	2,152,620.55
1908.....	2,156,877.20
1909.....	2,394,498.13
1910.....	2,907,874.29
1911.....	2,679,917.27
1912.....	2,554,184.88
1913.....	2,592,725.56
1914.....	3,065,715.20
1915.....	3,675,145.39
1916.....	4,260,606.49
1917.....	5,546,355.69
1918.....	8,111,018.38
1919.....	4,158,670.09
1920.....	5,281,562.61
1921 (deficit).....	11,158,442.34

TOTAL ACCUMULATED PROFITS FROM DATE OF ORGANIZATION TO JUNE 30.

1902.....	\$4,087,375.83
1903.....	5,485,270.86
1904.....	6,987,041.95
1905.....	8,622,229.34
1906.....	10,396,543.84
1907.....	12,549,164.39
1908.....	14,706,041.59
1909.....	17,100,539.72
1910.....	20,008,414.01
1911.....	22,688,331.28
1912.....	25,242,516.16
1913.....	27,835,241.72
1914.....	30,900,956.92
1915.....	34,576,102.31
1916.....	40,021,629.59
1917.....	45,567,985.28
1918.....	53,679,003.66
1919.....	57,837,673.75
1920.....	63,119,236.36
1921.....	51,960,794.02

TOTAL DIVIDENDS DECLARED TO 1921.

Cash dividends on preferred stock.....	\$29,165,694.80
Cash dividends on common stock.....	10,878,143.29
Stock dividends on common stock.....	1,290,426.00

Total..... 41,334,264.09

Colonel Hull testified before our committee February 10, 1922:

A careful study of the language convinces me that Mr. Ford is bound as well as the company, and he is not discharged the minute the company is organized and undertakes these matters. * * * Mr. Ford obligates his estate and the company when organized.

LEGAL FEATURES OF FORD OFFER PREPARED BY JUDGE ADVOCATE GENERAL—FERTILIZER FEATURES PREPARED BY FARMERS' REPRESENTATIVES.

The Standard Dictionary defines a guaranty as "the act of making sure." Mr. Ford in drafting his offer left nothing undone to make sure that his proposal would be carried out. As Colonel Hull testified, the guaranty clause of the Ford pro-

posal was prepared in the office of the Judge Advocate General. Mr. Mayo, representing Mr. Ford before our committee, testified that the clause which gives the consumer the right to examine the Ford Company's books and see for themselves that his profits were limited to 8 per cent on the fair actual annual cost of production, was written by the representatives of the farm organizations themselves. It may be of interest to state that at no time throughout the negotiations did Mr. Ford have an attorney to look after his interests. As Mr. Ford publicly stated when making his proposal, he placed his offer in the hands of the farmers on the one hand and in the hands of the Government on the other.

But what sort of "joker" have these fertilizer interests—these self-appointed guardians of the welfare of the farmer—been perpetrating for these past years, coming forward as they now do and suggesting that Mr. Ford has a "joker" in his contract? They appear to be well acquainted with "jokers," and such we find to be the case.

18,888 DIFFERENT BRANDS OF FERTILIZER.

The Members of this House will recall that in 1916 the Federal Trade Commission made a report on the fertilizer industry. Among all industries of the country the one which has taken the lead in employing sharp practices for the purpose of confusing its customers regarding its products is the fertilizer industry, for this report shows that in the season of 1914 in four Southern States the fertilizer industry had registered no less than 18,888 different brands of fertilizer. (Federal Trade Commission Report on the Fertilizer Industry, 1916, p. 219.) What could be more confusing to the farmer trying to improve his soil and make a crop, or what could be more favorable to a sharp trader trying to give him as little as possible for his money, than to have available more than 18,000 different brands of fertilizer to choose from? To find the proverbial needle in the haystack would be child's play in comparison with choosing the correct fertilizer from such an assortment and knowing that you had the right one when you got it.

18,000 LITTLE "JOKERS."

This is the industry which was forced by the laws of all the principal fertilizer-using States to label the goods which it sold to its customers, and this is the industry which now comes forward to protect the farmer from injury at the hands of Henry Ford, who, they say, is attempting to deceive the farmer when he tells him that at Muscle Shoals he will undertake to reduce the cost of fertilizer. When he makes this statement these fertilizer people maintain that there must be a "joker" in the Ford offer.

The facts are that when Henry Ford put in his offer for Muscle Shoals, 18,000 little "jokers" got the shimmies, and those responsible for this army of "jokers" are merely trying to confuse the issue by raising a false alarm. Out of their own knowledge of the development of the air-fixation nitrate industry and the application of the electric furnace for the production of phosphoric acid, they very well know that the successful solution of the fertilizer problem at Muscle Shoals is a matter of capital and they also know that Henry Ford has the money and the disposition to use it in the interest of the farmer.

This is no mere assumption, for the president of the National Fertilizer Association stated in his address before the last annual meeting of the association:

There is a probability that a concentrated phosphoric acid can be made with cheap power at Muscle Shoals at less than it could be made there by the sulphuric-acid method—

and in that admission is the explanation of their alarm.

CAN THE FERTILIZER ASSOCIATION BANK ON THE SENATE?

The secretary of this fertilizer association in his last annual report shows a remarkable confidence that this Congress will protect the vested interests when the issue is between them and the farmer, for he says:

Certainly the Muscle Shoals bill will not be passed by this session of Congress, we may bank on that, although it may pass the House.

I am glad that he has to admit that the friends of agriculture are in the majority in this House, but it is my opinion that any man who undertakes to bank on the United States Senate to favor special interests and deny to agriculture the opportunity that is offered in the Ford proposal is reckoning without his host. [Applause.]

Mr. MOORE of Virginia. Mr. Chairman, I yield eight minutes to the gentleman from Mississippi [Mr. QUIN]. [Applause.]

Mr. QUIN. Mr. Chairman and gentlemen of the committee, in the limited time at my disposal it would be impossible for me to discuss the bill, to tell my objections to it, and why I am against certain provisions, especially those providing for the number of enlisted men and officers in the Army. Therefore the few minutes that I have at my disposal I shall devote to

making a few observations touching the ingenious speech by the distinguished gentleman from New York [Mr. COCKRAN].

Mr. Chairman, I was sorry, indeed, that my friend was willing to lend his eloquent voice to such an obnoxious cause. The distinguished gentleman first made some statements of fact which I must contradict. He stated that the States of the South were openly violating the fourteenth and fifteenth amendments to the Constitution of the United States. For his benefit—and he is an able lawyer—I hope the gentleman will read *Williams v. State of Mississippi*, One hundred and seventieth United States Supreme Court Reports, and see that Mississippi is upheld in her constitution by the highest court of this land; and the other Southern States have followed that State, and they are functioning legally and constitutionally.

Then he says that the eighteenth amendment, devoting 45 minutes of his time to that subject, can not be enforced, and therefore it should be repealed. It occurs to me that a man of his age who served on this floor at various times for 40 years could well lend his eloquence to a better cause. The people of the United States after many years of struggle put upon the organic law the eighteenth amendment. All of the States of this Union except four ratified it. Forty-four States, out of forty-eight ratified the eighteenth amendment. Yet the gentleman from New York and a few others will stand upon the floor of this House and even go out over the country speaking, stating that the eighteenth amendment and the legislation enforcing it should be nullified; and these are men who have been honored by the people, men who have been placed here with a commission in their hands, in part, at least, to represent 110,000,000 souls. They would want to do away with that sort of legislation and do away with the moral effect of it and again put this Government and her God-fearing people back in partnership with the manufacturers of beer, wine, and whiskies, and in the nefarious traffic and the trail of slime and crime that follows it.

The gentleman from New York and his cohorts claim they want light wine and beer. I know what they really mean: They want strong whisky and heavy wines and alcoholic beer.

Is it possible that men holding such honorable positions would want again to place the people of the United States in an attitude where the boys and girls who are growing up and those yet to be born would be debauched by the same methods that they were before the law went into effect? Yet we have it advocated on the floor of this House. The God-fearing Christian women of this country have been given the ballot since the eighteenth amendment was put on, and yet men will stand up and advocate that the prohibition amendment and legislation be repealed when 44 out of 48 States ratified that amendment, and if the good women had been able, by law, to vote I believe it would have been ratified by the other 4 States. So it occurs to me in advocating the repeal of the prohibition amendment—and restore the liquor traffic and debauchery—it is a slap in the face of womanhood, the morality and the godliness of the good people of the United States of America. That dreaded demon has put its curse in many of the homes of this Republic and now we have the remedy in the organic law and the legislation to enforce that law on the books, and it occurs to me that whether a man's appetite calls for liquor or not he would want to enforce that law and he would want to drive the manufacture of intoxicating liquors, the use of it, the drinking of it, the bartering, from the borders of the United States and even the soil over which our flag floats. We can not expect to have the people in the byways and hedges to respect the law if the men in high places do not respect it. [Applause.] That those who have the mission of a Congressman would want to stand up and say "Do away with this law, stamp it under your feet," and say you can not legislate against the appetites of a few people and therefore you should repeal this amendment to the Constitution and repeal all the legislation to enforce it is strange to me. It seems to me that a man who goes before the country with this responsibility resting upon him in the sight of his God and his fellow man would stop and think before he would advocate such an awful thing. Is it possible that after the people of the United States have fought from the church doors, from the fireside of every hamlet and every rural district, every town, and every city of this Republic to bring about this legislation that a few people in a few different States should ask a great political party to put itself under that corrupt, slimy banner and go staggering down to a drunkard's grave. God forbid. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. ANTHONY. Mr. Chairman, I yield four minutes to the gentleman from West Virginia [Mr. GOODYKOONTZ].

Mr. GOODYKOONTZ. Mr. Chairman and gentlemen of the committee, I ask unanimous consent to revise and extend my remarks on the subject of the rivers and harbors bill.

The CHAIRMAN. The gentleman from West Virginia asks unanimous consent to extend his remarks on the rivers and harbors bill. Is there objection? [After a pause.] The Chair hears none.

Mr. GOODYKOONTZ. Gentlemen, the matter to which I wish to direct your attention at this time is a news article appearing in the Washington Post of January 15, 1923, reading in part as follows:

It was learned that Isadore B. Dockweiler, Democratic national committeeman from California, has been in Washington procuring a mailing list of members of the American Legion. At the same time he has been making personal contact with officers of the Legion known to have Democratic leanings and with Republicans known to be disgruntled over the veto of the bonus bill by President Harding.

FOR BONUS-TARIFF SPEECH.

It is assumed the mailing list is desired for the circulation of the bonus-tariff speech of Mr. McAdoo delivered at Fullerton, Calif., last armistice day. It was recently printed in the CONGRESSIONAL RECORD, which makes it available for mailing without cost.

The bill authorizing the issuance of a charter to the American Legion was passed by the Sixty-sixth Congress. This measure—granting a charter to the Legion—was the first act of its kind. Congress had always declined—had refused—to issue such a charter even to the Grand Army of the Republic, but the position was taken that this was the greatest war of all time; that there were no precedent for such legislation, and therefore we should charter the American Legion. Nevertheless the Committee on the Judiciary, of which I had the honor to be a member, recommended the charter, but incorporated in the bill, which Congress enacted into law, the following provision:

SEC. 6. That the organization shall be nonpolitical and, as an organization, shall not promote the candidacy of any person seeking public office.

The executive officers of the American Legion owe it to the country and to the great body of men who constitute the membership of that group to come forward with a statement, either corroborating or denying the allegations of the newspaper article that I have read before you, as to whether or not the American Legion is being used as an instrument to carry on political propaganda in the interest of an individual candidate of a particular party for office, high or low. Officials of the Legion, I respectfully submit, should—concerning the charge—explain without delay. The time has arrived when the American Legion should demonstrate to the country whether or not the charge is mere fiction or if, to the contrary, it proposes to forfeit its charter as a result of being a mere political tool.

Mr. BLANTON. Will the gentleman yield?

Mr. GOODYKOONTZ. I do.

Mr. BLANTON. If the distinguished gentleman from West Virginia, or anybody else, would ask them for a list of their membership, would the giving of the list to the gentleman be a participation in politics?

Mr. GOODYKOONTZ. Yes; certainly. The furnishing of the list of members has heretofore been refused to all candidates of every party; and if in the face of the express language of a statute mandatory in form the Legion officers should constitute themselves as an instrument working at the behest and to the advantage of a political candidate for office the membership of the Legion ought to know the fact and kick them out of office; and it is up to such executive officers to present to the public a statement on the subject. When the bill proposing the charter was pending it was argued that the great body of men proposed to be incorporated would become a powerful factor in politics, and that therefore a charter should not be granted. Such argument was brushed aside, but we did take the precaution to insert in the bill a provision that they should not, as an organization, promote the candidacy of any person seeking public office.

If the officers of the Legion have furnished to Dockweiler, agent of McAdoo, a list of members for his use in contesting with Cox, of Ohio, and Bryan, of Florida, they are guilty of violating the provisions of a statute that was enacted by Congress in the interest of the Nation's defenders; they have prostituted a patriotic act to an ignoble purpose. Let them explain.

If the newspaper report be all fiction, let us have the facts. One thing we confidently believe, and that is that neither W. G. McAdoo, Henry Ford, James M. Cox, nor William J. Bryan have an absolute mortgage on the organization known as the American Legion.

Mr. MOORE of Virginia. I yield four minutes to the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. Mr. Chairman, there is in the membership of this House no Member more honorable, more truthful, more sincere, more fearless, or more upright than the gentleman from Georgia [Mr. UPSHAW]. There is no Member who has in his heart a greater amount of the milk of human kindness, of love for his fellow man, than has the distinguished Member from Georgia. The snappy snarl of a modern Baltimorean self-designated mother wolf, such as the one who suckled Remus and Romulus of famous mythical Rome, can not deter him or stand in the way of the progressive Christian civilization of this great Republic.

And neither can the speech of the distinguished gentleman from New York [Mr. COCKRAN] destroy him or his usefulness. Such a speech as was made by the gifted gentleman from New York does more harm and throws in the way of the President in law enforcement more obstacles than the plying of their hellish trade by all the bootleggers throughout the United States put together. He not only encourages them but many others to join them. He speaks of his having voted \$8,000,000 to the President to enforce this law. I suggested to him that his speech this afternoon does more harm than \$80,000,000 worth of law enforcement will be able to combat.

Such speeches ought to stop. The gentleman said that in the great State of Texas anything is possible. He asserted that the Constitution is not enforced there with respect to the fourteenth and fifteenth amendments. I cite to him my colleague from Texas [Mr. WURZBACH], from San Antonio. He will tell you that both the fourteenth and fifteenth amendments are enforced in the State of Texas. He will tell you that there were about a thousand negroes who voted in his district in the city of San Antonio during the last primary elections. Those two amendments are not violated in the State of Texas any more than any other amendments are violated. But, thank God, in the State of Texas we have a governor who has never yet made a statement like the one he quoted from the Governor of New York, "that so far as beer and light wine are concerned they are going to continue no matter what becomes of the Constitution and the law." Thank God, from the State of Texas we have not a single Member of Congress who would dare to make a speech like that made to-day by the gentleman from New York [Mr. COCKRAN], because every Member from the State of Texas believes as his constituents do in upholding the Constitution and the law.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. MOORE of Virginia. Mr. Chairman, I yield three minutes to the gentleman from New York [Mr. KINDRED].

The CHAIRMAN. The gentleman from New York is recognized for three minutes.

Mr. KINDRED. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. The gentleman from New York asks unanimous consent to extend his remarks in the Record in the manner indicated by him. Is there objection?

There was no objection.

Mr. KINDRED. Mr. Chairman and gentlemen of the committee, the New York Academy of Medicine has recently very fittingly celebrated the one hundredth anniversary of the birth of that great humanitarian and scientist, Louis Pasteur. The word "pasteurized" alone, which has become a word of common household use, immortalizes the name and the great services to humanity of Louis Pasteur. This process of pasteurization, meaning simply the process of boiling suspected milk, liquids, and food, as discovered by Pasteur and prescribed by him, has saved the lives of millions of babies and adults.

Pasteur also was the originator and father of the great science of bacteriology, which established the basis of vaccine-therapy and the prevention and cure of hydrophobia, typhoid fever, and many other diseases, the fatality of which have been so greatly decreased by Pasteur's methods. It is due to the genius of this great scientist that so many millions of lives have thus been saved in the past and will be saved in the future.

I think, therefore, that it is fitting that I, as a physician, should pay some tribute to the life and work of this matchless man of science.

He was born at Dole, France, in a little house in the Rue des Tanneurs, December 17, 1822. His father was a noncommissioned officer of the Empire who had been created Chevalier of the Legion of Honor on the battle field; his mother, the daughter of simple market gardeners.

His first school was the Ecole Primaire, and later, at the College of Arbois, where he was merely an average pupil, with a marked taste for drawing, his career pointing rather to that of the artist than the scientist. However, the principal of the college advised him to enter Ecole Normale Supérieure, and

in 1839 he left the College of Arbois for that of Besancon, and it was here that he commenced the study of chemistry.

In 1849 he was appointed to the chair of chemistry of the faculty of Strasbourg, and on May 29 of the same year he was united in marriage to Mlle. Marie Laurent, daughter of the rector of the Academy of Strasbourg. He pursued the study of science diligently, and in September, 1854, he was nominated as professor and dean of the recently created faculty at Lille, where he served three years with distinction. In 1857 he was nominated as administrator of the Ecole Normale, also subdirector of science studies.

Stated briefly, the dates of his greater scientific triumphs are: In 1857, fermentations; 1860, spontaneous generation; 1865, diseases of wine and beer; 1868, diseases of silkworms; 1881, virus and vaccines; 1885, prophylaxis against rabies.

On July 6, 1885, he made his first successful operation for rabies on a child named Joseph Meister, describing it in an article read to the Academy of Science and Medicine on October 26-27, 1885, entitled, "Method of Preventing Rabies After a Bite."

I could hardly state in more appropriate terms some of the long list of facts relative to Pasteur and his inestimable services to humanity and science than to quote from an article appearing in the New Republic, of date January 17, 1923, contributed by Nicholas and Lillian Kopeloff, as follows:

Pasteur is being honored as perhaps the greatest scientific genius of all time. In the age of experimentation which marks man's mastery over his environment he was a pioneer. To him bacteriology, that science which permeates every aspect of health and disease, owes its very existence. To-day we are so familiar with bacteria as to contemptuously call them "bugs." We no longer pay them the courtesy of complete destruction, but have gauged their individual threats much as the finished boxer seems to flee the blow which he so skillfully and imperceptibly turns aside. Indeed, it is a far stretch of the imagination to reconstruct that time 100 years ago when the activities of bacteria were unknown. The doctrine of spontaneous generation was solidly established and sanctified by tradition. This was no more nor less than the belief that living organisms could be produced from inanimate matter. Thus, Van Helmont in the sixteenth century gave a celebrated prescription for the creation of mice from dirty linen and a few grains of wheat or pieces of cheese. Similarly, all fermentation and all putrefaction were regarded as being strictly chemical phenomena.

Pasteur's brilliant experiments demonstrated conclusively the true nature of these everyday processes. Their simplicity is confounding. He began by a microscopic study of the air. "If germs exist in the atmosphere," he said, "could they not be arrested on their way?" Thereupon he drew a current of air through a tube plugged with cotton which contained sterilized broth. There was deposited on the cotton considerable detritus, in which were revealed bacteria upon microscopic examination. The nutritive fluid, thus protected, did not putrefy, but upon dropping some of the shreds of cotton into it putrefaction promptly set in. Not content with this experiment, he wished to show that sterilized liquids would remain uncontaminated even in contact with air, provided that the entrance of dust particles was prohibited. This was accomplished by devising flasks the necks of which had been drawn out into fine tubes bent in the form of a U. The ends of the U being left open permitted the sedimentation of dust from the air as far as the lowest angle of the tube, but no dust was carried up the second arm into the liquid. In such flasks no putrefaction occurred, but it could be induced by the simple expedient of slanting the entire apparatus until the liquid ran into the bent arm of the tube, where the dust particles containing bacteria had collected. Finally he took flasks containing sterilized fluid to different heights above sea level, climbing mountains and glaciers, and showed that the purer the air the less contamination took place.

Here was definite proof that putrefaction and decay were not the resultants of "spontaneous generation," but were the by-products of chemical decomposition caused by the metabolic activities of microorganisms. Not only did he point out that these fermentations were caused by microorganisms, but he investigated the spoilage of these products, discovering that bitterness or greasiness was due to a special ferment. In fact, the town of Arbois, famous for its Jura red and white wines, placed an impromptu laboratory at Pasteur's disposal during the holidays of 1864, so that he might discover the remedy for the acidity which ruined their "rosy and tawny wines." Pasteur's reply is characteristic of the modesty which has become proverbial. "This spontaneous offer from a town dear to me for so many reasons," he wrote the mayor and town council, "does too much honor to my modest labors, and the way in which it is made covers me with confusion." Accordingly he refused it, fearing his services might not be proportionate to their generosity. He preferred to camp out with his curators in an old coffee room at the entrance to the town, where they contented themselves with apparatus of the most primitive description, generally made by some local tinker or even blacksmith. And this problem terminated in the procedure which makes of his name an immortal adjective: "Pasteurized." He discovered that by heating the wines for a few moments at a moderately high temperature, 135° F. (212° being the boiling point of water), their good keeping qualities were assured. The principle of a short preliminary heating is now universally applied to milk in order to safeguard it against spoilage.

Pasteur is of the soil, and it is fitting therefore that he should have rendered agriculture inestimable service. Turning his attention to vinegar making he was soon embroiled with Liebig, the great German chemist, as to the very nature of this biological process. The latter contended that microorganisms were not responsible for the production of vinegar from beechwood chips, whereas Pasteur demonstrated that it was due to the presence of mycoderma aceti, which grew on the chips or wood shavings. Similarly he discovered the organisms which produce lactic and butyric fermentation.

His greatest contribution, however, was in behalf of the silk industry. In 1864-65 the silk districts of that region of France known as the Midi suffered such serious losses that the yield of cocoons fell from 26,000,000 to 4,000,000 kilograms, which entailed a loss of \$20,000,000 and caused widespread distress and poverty. An epidemic had broken

out among the silkworms—that dread disease known as pebrine. Pasteur was employed by the stricken districts and the Minister of Agriculture to undertake an investigation. After several years of study, he found the organism causing the disease, suggested remedies, and brought back wealth to the ruined communities. But this was at the cost of impaired health and a partial stroke of paralysis.

It is due to Pasteur's memorable researches that bacteria and their microscopic allies emerged from their relative obscurity as organisms chiefly of interest to the professional biologist, and achieved a conspicuous position in natural science as a group of organisms whose activities were full of a far-reaching significance for all mankind. This opens the most spectacular chapter of his achievements, the one which has brought him universal recognition. Lord Lister, who devised the methods in surgery which rob it of so many of its former terrors, thus addressed Pasteur, whose ideas had inspired that work at the latter's jubilee celebration in 1892: "Truly there does not exist in the entire world any individual to whom the medical sciences owe more than they do to you. Your researches on fermentation have thrown a powerful beam, which has lightened the baleful darkness of surgery, and has transformed the treatment of wounds from a matter of uncertainty and too often disastrous empiricism into a scientific art of sure beneficence. Thanks to you, surgery has undergone a complete revolution, which has deprived it of its terrors and has extended almost without limit its efficacious power." Prior to Pasteur's contributions, the mortality from blood-poisoning, gangrene, and other infections following surgery and childbirth was extremely high. This condition was summed up in the famous words of Valpeau, "The prick of a pin is the open door to death." To-day, what with the sterilization of instruments, sponges, ligatures; in a word, everything which comes in contact with the patient, a surgical operation is only a surgical operation, and not a preliminary to death by blood-poisoning.

It would be a difficult task to enumerate all the contributions to science made by Pasteur. Trained as a chemist, his initial researches dealt with the problems of the formation of molecules and their optical activities, as in his experiments with racemic and tartaric acids. These led him into a study of fermentation, which is essentially the decomposition of sugars through bacterial agencies. Mention has already been made of his fundamental work in establishing the existence and activities of bacteria, but one point requires further emphasis. Pasteur discovered that certain microorganisms could be active in the absence of free oxygen. This radically upset the conception of metabolic processes then prevalent since it was believed until that time that life could be supported only when a free supply of oxygen obtained. Yet here were these anaerobes, simple microorganisms, as incontrovertible proof.

Pasteur's notable investigations of anthrax, that dreaded disease, that dreaded disease which lurks in unsterilized shaving brushes, improperly tanned hides, etc.; of chicken cholera and of swine fever, which produce serious epidemics, culminated in the preparation of vaccines which are fundamental to our present knowledge of immunity.

The most spectacular application of this work has been to hydrophobia or rabies. This disease is one which primarily attacks animals, being most prevalent among the carnivora—dogs, cats, and wolves. But man is also subject to this disease, principally through the entrance of the saliva of rabid animals by bites or scratches. "Rabies is prevalent to an alarming extent in all civilized countries except England, where the careful supervision of dogs, enforcement of muzzling laws, and rigid legislation regarding the importation of dogs have caused a practical eradication of the disease in that country. The treatment, which is now prophylactically applied to patients with or suspected of infection with rabies, has been but little altered either in principle or in technical detail since it was first worked out by Pasteur. This consists of an active immunization with virus, i. e., the administration of gradually increasing doses of the actual virus capable of causing hydrophobia, but which has been attenuated by dryings. The body reacts by the formation of antibodies which combat the virus. The injections are continued until a strongly virulent virus produces no untoward effects. This indicates that the body has acquired an immunity capable of neutralizing the original virus introduced by the rabid animal. The efficiency of the Pasteur treatment for rabies is no longer problematical. Over 50,000 individuals have been treated within 10 years with an average mortality of 1 per cent.

The sweeping change wrought by Pasteur in all conceptions of disease has been forcibly characterized by Tyndall: "We have been scourged by invisible thongs, attacked from impenetrable ambushes, and it is only to-day that the light of science is being let in upon the murderous domains of our foes." The master mind of Pasteur has dominated the realm of bacteriology since 1860. "His epoch-making discoveries were largely due to his intuitive vision, his skill in device, and in the adaptation of means to ends, his prodigious industry, and the enthusiasm and love with which he inspired his associates." His aphorism, "It is characteristic of science and progress that they continually open new fields to our vision," is indicative of his own life-work. Each advance in bacteriology is an added monument to his achievements. No one can fail to be inspired by the personality which made it possible. Vallery-Radot has immortalized it in the *Life of Pasteur*, and others have done him homage. But Pasteur belongs not to the biographers, not to the bacteriologists, not even to adoring France; he belongs to humanity for all time.

"The debt of biology, the debt of medicine, the debt of all science to Pasteur is a debt to that indefinable breath of which Renan spoke. No one branch of science can claim a monopoly of Pasteur's genius."

Reviewing from the vantage point of to-day the position which Pasteur occupies in the history of science, free now from the shocks to prejudice and superstition which followed in apparently endless succession from his work, it would seem that the greatest expression of his genius lay in the glorification of scientific method—observation, deduction, experimental proof—through these things his life work, in the words of Renan again, "is like unto a luminous track in the great night of the infinitesimally small, in that last abyss where life is found."

How is it possible to put in a few words an adequate expression of the debt of biology to Pasteur? A consummate master of the method of science; not a medical man, yet by his achievements establishing medicine in all its branches on a scientific foundation; not a biologist, yet by sheer force of scientific method able to shape and to securely place the keystone in the arch of our conceptions of living nature. And what a model for all men was his tolerance of the shabby quarters in the garret of the Ecole Normale in the Rue d'Ulm. Here, surely, he demonstrated the fact that achievement is not the reflected radiance of a palace of research but comes from within.

"Wherever he went," says Duclaux, "Pasteur was an initiator. Guided by an imagination so adventurous and at the same time so well controlled, we are constantly on the borders of new countries, but

we journey in security." His mind worked progressively, always building a new edifice on the foundation of a principle which he had previously demonstrated. We irresistibly look back on his final achievements in preventive medicine to his earlier work on splenic fever, and from this, still back to that inspiration—the germ theory of disease—which grew up with his investigations on the cause and prevention of silkworm epidemics. Here again a great generalization was but the crystallization in a mind saturated with varied conceptions of the activities of minute organisms responsible, as he had shown, for the multiple phenomena of fermentation. And who shall say that the explanation of these phenomena was not the outcome of his early work on the rotary power of crystals and molecular dissymmetry?

Most of Pasteur's great discoveries were the results of investigations undertaken in response to economic or human needs. So it was with fermentation. . . . As a result of these experiments, a new road was opened, a road which was to lead him to some of the most important discoveries in the history of science.

Pasteur's solution of the problem of fermentation is typical of all his work. He struck first at the widely accepted view that fermentations are due to unknown molecular forces. He demonstrated experimentally, first with lactic fermentation, that different kinds of activities of similar nature are brought about through the vital activities of living organisms, and he showed that each type is dependent upon its own specific kind of microorganism. Nor was he content to rest here. His clear thinking mind reached beyond the horizon of fermentations to the intricate play of living things whereby the equilibrium of nature is maintained. He saw the part played by microorganisms in putrefaction and decomposition; he saw how, through their activities, the protein matter, and all substances composing the bodies of animals and plants, are ultimately reduced to ammonia, carbon dioxide, mineral salts, and water, and restored to the earth to be taken up by green plants where, through photosynthesis, they are brought back again to the realm of living protoplasm. He thus added the physical basis of life to Helmholtz's principle of the conservation of energy and gave to biology for the first time a sense of the marvelous cycle of matter and energy in living nature.

His studies on fermentation opened up a new series of problems. On every side arose the inevitable question: Whence come these minute living organisms? Do they develop spontaneously, or do they come from preexisting organisms like themselves? In all ages spontaneous generation has been the refuge of the uninformed and the hopelessly ignorant. Even as late as the seventeenth century eels, salamanders, lizards, flies, bees, and various other forms of life were regarded as originating by spontaneous generation, and we find a noted chemist of that day gravely handing down to us an infallible recipe for making mice: "Place a piece of soiled linen in a vessel; add a few grains of corn; flavor with a bit of cheese; and in 21 days the mice will be there, fully adult and of both sexes." Such views strike us as too silly for belief. But in those days tradition and superstition were powerful factors which few dared to question. Redi, and later Vallisneri, both Italian physicians, were among the first to doubt and to follow up their doubts with experiments. The former proved that flies would not develop from rotting meat if the latter is covered properly by gauze. He noted that flies, attracted no doubt by the odor of meat, deposit eggs on the covering gauze. He saw that larvae develop from the eggs, and flies from the larvae. Vallisneri proved that the wormlike grub found in fruit does not develop from the fruit, but from an egg deposited there by an insect. Little by little the old traditions were replaced by facts, and so far as these larger animals are concerned, the theory of spontaneous generation was abandoned.

In 1675, however, the world of microscopic life was opened up by the Dutch naturalist, Leeuwenhoek. Minute living things were found to develop in pure rain water as well as in all moisture where organic matter is present. How could their origin be explained save through spontaneous generation? The old tradition, reinforced, came back, and experiments analogous to those of Redi and Vallisneri in the hands of Buffon, Needham, Pouchet, Joly, Bastian, and others, appeared to verify it. Other experiments, with conclusions opposed to spontaneous generation by Spallanzani, Schultze, Schwann, and others, were incomplete and failed to carry conviction. The idea that specific living germs are present in the air was inconceivable and partisans of spontaneous generation certainly had the best of it in argument. "We are mindful," they would say, "of a certain experiment of Gay-Lussac, where a small amount of the must of grapes when brought in contact with a few bubbles of air, would begin to ferment. You say these bubbles brought with them some germs of yeast, but they must bring something else. How could a bubble of air bring germs of yeast into one fluid, something else into an infusion of hay, and still other things into a meat infusion? That makes a great many germs." Pouchet added, "The air, thus peopled, would have the density of iron."

Armed with his previous experience, Pasteur was ready. With infinite patience, experiments were planned and carried out. Nutrient but sterile media in sealed flasks, exposed to heated or filtered air, in the great majority of cases remained sterile; so too, when exposed to rarefied mountain air. From his discussions with Pouchet and Joly, there followed the conclusive proof that germs are present in the air we breathe; from his discussions with Bastian came the proof that solids and liquids, as well as the air, are carriers of germs. It was from these discussions, particularly from those with Bastian, that the modern technique in bacteriology and in surgery has been developed.

The ghost of spontaneous generation, however, was not yet laid. Notwithstanding the fact that the media used by Pasteur were apparently sterile, and the air supplied was germ free, an active development of microorganisms occurred now and then. Such exceptions were eagerly seized by his opponents as evidence that in these flasks only were the proper conditions for spontaneous generation provided. Pasteur's experience had not brought to light the fact that the spores of some organisms have the power to resist prolonged heating at high temperatures which kill actively living germs. This fact was later demonstrated for the first time by Jeffries Wyman. These heat-resistant germs were the cause of fermentation in Gay-Lussac's must of grapes; they developed in Pouchet's sterilized hay infusion, and they were present in Bastian's samples. Gay-Lussac affirmed the phenomena to be due to oxygen; Pouchet and Bastian to spontaneous generation; Pasteur to germs of the air. All were mistaken. Later, it was shown that the heat-resisting spores develop only in the presence of air. Pasteur was right so far as the presence of the germ was concerned; Gay-Lussac so far as the need of oxygen was concerned; Pouchet and Bastian were hopelessly wrong.

Pasteur was by no means satisfied with his incomplete demonstration that, like high organisms, all types of germs are derived from

germs similar to themselves. He was planning further extensive experiments in this direction when he was called upon to undertake a new and an entirely different type of work. The great silk industry of southern France, already vastly reduced, was threatened with complete ruin by a deadly epidemic among the silkworms. Pasteur was asked to investigate the disease and if possible to provide a remedy. This is the point in Pasteur's career where, if at all, we can draw the line between his achievements in general biology and those in preventive medicine. During the six years from 1865 which he devoted to the silkworm problem there gradually developed in his mind the conviction that many human diseases are due to micro-organisms. Duclaux writes of this period: " * * * Nothing can be more curious than to see Pasteur at close quarters with a bristling complicated problem, beginning by being deceived about it, by seeing things the wrong side to, but led back continuously to the truth by experiment, and ending by unraveling all the complications. I do not know a more beautiful example of scientific investigation. It is the first camp on a route wherein he found immortality; the earlier discoveries had given him only glory."

Pasteur's last summer was spent at Villeneuve-l'Étang, where he passed away on Saturday, September 28, 1895.

Valéry-Radot, his son-in-law, quotes Pasteur as saying on one occasion: "A man of science should think of what will be said of him in the following century, not of the insults or the praise of one day."

In commemorating Pasteur's one hundredth birthday this year, audiences throughout the world will know nothing of the insults, but in this "following century" will unite in one great wave of praise. He did become a teacher, as his father so ardently wished, not indeed in the college at Arbois, not only in the universities of Strasbourg, Lille, or at the Ecole Normale, but a teacher at whose feet the civilized world still sits in grateful appreciation.

Perhaps the most notable of all the praise conferred upon Pasteur was bestowed on the occasion of his reception into the Académie Française by Ernest Renan, who on this occasion addressed the following words to Pasteur:

"That common basis of all beautiful and true work, that divine fire, that indefinable breath which inspires science, literature, and art, we have found it in you. Sir, it is genius."

The commemoration of Pasteur's one hundredth anniversary by the New York Academy of Medicine, including as it does an exhibition of a rare collection of photographs of Pasteur and of the surroundings amid which he lived and did his great work, is in itself one of the greatest tributes that could be paid to any man, even to one of Pasteur's matchless humanitarian and scientific achievements.

Mr. ANTHONY. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. TILSON, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having under consideration the bill (H. R. 13793) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1924, and for other purposes, had come to no resolution thereon.

POST OFFICE APPROPRIATION BILL.

Mr. OGDEN. Mr. Chairman, I ask unanimous consent to take from the Speaker's table the bill (H. R. 13593) making appropriations for the Post Office Department for the fiscal year ending June 30, 1924, and for other purposes, with Senate amendments, disagree to the Senate amendments, and grant the conference asked for by the Senate.

The SPEAKER. The gentleman from Kentucky asks unanimous consent to take from the Speaker's table, disagree to the Senate amendments, and grant the conference asked for by the Senate on the bill which the Clerk will report.

The Clerk read as follows:

A bill (H. R. 13593) making appropriations for the Post Office Department for the fiscal year ending June 30, 1924, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. GARRETT of Tennessee. Mr. Speaker, is that agreeable to the minority Members?

Mr. OGDEN. That is agreeable to the minority Members.

The SPEAKER. Is there objection?

There was no objection; and the Speaker announced as the conferees on the part of the House Mr. SLEMP, Mr. MADDEN, Mr. OGDEN, Mr. TAYLOR of Colorado, and Mr. CARTER.

ENROLLED BILLS PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. RICKETTS, from the Committee on Enrolled Bills, reported that January 10 they had presented to the President of the United States for his approval the following bills:

H. R. 12170. An act to revive and reenact the act entitled "An act to authorize the Commissioners of Lycoming County, Pa., and their successors in office, to construct a bridge across the West Branch of the Susquehanna River from the foot of Arch Street, in the city of Williamsport, Lycoming County, Pa., to the borough of Dubolstown, Lycoming County, Pa.," approved August 11, 1916;

H. R. 10531. An act to distribute the commissioned line and engineer officers of the Coast Guard in grades, and for other purposes;

H. R. 966. An act for the relief of the Tacoma Tug & Barge Co.;

H. R. 7658. An act to amend the act approved August 25, 1919, entitled "An act for the relief of contractors and subcontractors for the post offices and other buildings, and work under the supervision of the Treasury Department," and for other purposes";

H. R. 13374. An act making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1924, and for other purposes; and

H. R. 13615. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1923, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1923, and for other purposes.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS.

Mr. ANTHONY. Mr. Speaker, I move that the House do now adjourn.

Mr. GARRETT of Tennessee. Will the gentleman withhold that motion for a moment?

Mr. ANTHONY. I will withhold it.

Mr. GARRETT of Tennessee. Has Calendar Wednesday been dispensed with?

Mr. ANTHONY. I do not believe it has. I feel quite sure that it was intended to ask that Calendar Wednesday be done away with to-morrow. So I ask unanimous consent, Mr. Speaker, that the business in order on Calendar Wednesday be dispensed with to-morrow.

The SPEAKER. The gentleman from Kansas asks unanimous consent that the business in order to-morrow be dispensed with. Is there objection?

There was no objection.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. CULLEN, indefinitely, on account of illness;

To Mr. TAGUE, indefinitely, on account of illness; and

To Mr. SMITH of Michigan (at the request of Mr. MAPES), indefinitely, on account of illness.

ENROLLED JOINT RESOLUTION SIGNED.

The SPEAKER announced his signature to enrolled joint resolution (S. J. Res. 251) providing for the filling of two vacancies in the Board of Regents of the Smithsonian Institution of the class other than Members of Congress.

ADJOURNMENT.

Mr. ANTHONY. Mr. Speaker, I renew my motion to adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 35 minutes p. m.) the House adjourned until to-morrow, Wednesday, January 17, 1923, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

910. A letter from the Secretary of War, transmitting, with a letter from the Chief of Engineers, United States Army, statement showing name and place of residence of each civilian engineer employed between July 1, 1921, and June 30, 1922, under appropriations made by acts of Congress for the improvement of rivers and harbors, the time so employed, the compensation paid, and the place where and works on which employed; to the Committee on Expenditures in War Department.

911. A letter from the Director of United States Veterans' Bureau, transmitting a statement as of January 1, 1923, indicating the total number of positions at a rate of \$2,000 or more per annum, the rate of salary attached to each position, and the number of positions at each rate in the central office; to the Committee on Appropriations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. WHITT of Maine: Committee on Merchant Marine and Fisheries. H. R. 13773. A bill to amend an act to regulate radio communication, approved August 13, 1912, and for other purposes; without amendment (Rept. No. 1416). Referred to the Committee of the Whole House on the state of the Union.

Mr. WINSLOW: Committee on Interstate and Foreign Commerce. S. J. Res. 259. Joint resolution authorizing the President to abrogate the international agreement embodied in certain Executive orders relating to the Panama Canal; without amendment (Rept. No. 1417). Referred to the House Calendar.

Mr. FOCHT: Committee on the District of Columbia. H. R. 13834. A bill to amend the insurance laws of the District of Columbia; without amendment (Rept. No. 1419). Referred to the Committee of the Whole House on the state of the Union.

Mr. RODENBERG: Committee on Flood Control. H. R. 13810. A bill to continue the improvement of the Mississippi River and for the control of its floods; without amendment (Rept. No. 1420). Referred to the Committee of the Whole House on the state of the Union.

Mr. STEENERSON: Committee on the Post Office and Post Roads. H. R. 11193. A bill to encourage commercial aviation and authorizing the Postmaster General to contract for air-mail service and prescribing rates of transportation and postage thereon; with amendments (Rept. No. 1421). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. ANDREW of Massachusetts: Committee on Naval Affairs. H. R. 12158. A bill for the relief of Theodore F. Howe; without amendment (Rept. No. 1418). Referred to the Committee of the Whole House.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. SNYDER: A bill (H. R. 13826) to authorize the sale of lands allotted to Indians under the Moses agreement of July 7, 1883; to the Committee on Indian Affairs.

By Mr. GREEN of Iowa: A bill (H. R. 13827) relating to the sinking fund for bonds and notes of the United States; to the Committee on Ways and Means.

By Mr. MARTIN: A bill (H. R. 13828) to amend paragraph 11 of section 1001 of an act entitled "An act to reduce and equalize taxation, to provide revenue, and for other purposes," approved November 23, 1921; to the Committee on Ways and Means.

By Mr. DALLINGER: A bill (H. R. 13829) to determine proceedings in cases of contested elections of Members of the House of Representatives; to the Committee on Elections No. 1.

By Mr. WHITE of Kansas: A bill (H. R. 13830) to permit the admission into the United States of refugees from Turkish territories; to the Committee on Immigration and Naturalization.

By Mr. McFADDEN: A bill (H. R. 13831) to amend the last paragraph of section 10 of the Federal reserve act, as amended by the act of June 3, 1922; to the Committee on Banking and Currency.

By Mr. WINSLOW: A bill (H. R. 13832) to authorize the leasing of oil and coal plants at Cristobal and Balboa, Canal Zone; to the Committee on Interstate and Foreign Commerce.

By Mr. ANTHONY: A bill (H. R. 13833) relating to sundry matters in connection with the administration of the War Department; to the Committee on Military Affairs.

By Mr. FOCHT: A bill (H. R. 13834) to amend the insurance laws of the District of Columbia; to the Committee on the District of Columbia.

By Mr. SNYDER: A bill (H. R. 13835) authorizing the Secretary of the Interior to appraise tribal property of Indians, and for other purposes; to the Committee on Indian Affairs.

By Mrs. HUCK: A joint resolution (H. J. Res. 423) authorizing and directing the President to inform other nations that the United States will delegate to its people the sole power to declare war against any nation that shall delegate the same power to its people; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLAND of Virginia: A bill (H. R. 13836) to provide for an examination and survey of Nomini Bay and Creek, Westmoreland County, Va., and channel connecting the same with the Potomac River; to the Committee on Rivers and Harbors.

By Mr. BROWN of Tennessee: A bill (H. R. 13837) for the relief of Victor M. Burris; to the Committee on Naval Affairs.

Also, a bill (H. R. 13838) for the relief of the widow of W. W. Rutledge; to the Committee on War Claims.

By Mr. CARTER: A bill (H. R. 13839) to authorize an examination of Boggy River, Okla.; to the Committee on Rivers and Harbors.

Also, a bill (H. R. 13840) granting a pension to Mary Marker; to the Committee on Invalid Pensions.

By Mr. FAUST: A bill (H. R. 13841) granting a pension to Sue A. Thompson; to the Committee on Invalid Pensions.

By Mr. FOCHT: A bill (H. R. 13842) granting a pension to Ada Hunt; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13843) granting a pension to George D. Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13844) granting a pension to John H. Smith, alias Henry H. Smith; to the Committee on Invalid Pensions.

By Mr. KENDALL: A bill (H. R. 13845) granting an increase of pension to Mary E. Saner; to the Committee on Invalid Pensions.

By Mr. KETCHAM: A bill (H. R. 13846) granting a pension to Lydia Bedortha; to the Committee on Invalid Pensions.

By Mr. ROBSION: A bill (H. R. 13847) granting a pension to Nancy J. Grider; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13848) granting an increase of pension to Catherine Meece; to the Committee on Invalid Pensions.

By Mr. WHITE of Kansas: A bill (H. R. 13849) granting a pension to Irene S. Slagle; to the Committee on Invalid Pensions.

By Mr. WHITE of Maine: A bill (H. R. 13850) granting a pension to Almedia M. Flanders; to the Committee on Invalid Pensions.

By the SPEAKER (by request): Memorial of the Legislature of the State of South Dakota urging Congress to give careful and favorable consideration of House bill 13574; to the Committee on the Library.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

6826. By the SPEAKER (by request): Petition of Detroit Lodge No. 160, Loyal Order of Moose, indorsing the movement for a conference of nations to be called by the President of the United States to seek restriction of the production of raw materials from which narcotic drugs are made; to the Committee on Ways and Means.

6827. Also (by request), resolution adopted by 2,500 citizens of St. Louis, memorializing Congress to inquire whether the citizens of the United States are receiving that protection of the fourth amendment to which they are entitled; to the Committee on the Judiciary.

6828. By Mr. ANDREW of Massachusetts: Petition of citizens of Haverhill, Mass., and vicinity, for the abolishment of discriminatory tax on small arms, ammunition, and firearms; to the Committee on Ways and Means.

6829. By Mr. BECK: Petition of Mr. M. T. Drea and 83 other citizens of Sauk County, Wis.; also petition of Mr. C. W. Ward and 12 other citizens of Vernon County, Wis.; also petition of Mr. Lee Campbell, John Bliss, W. E. Andrews, and 40 other citizens of Monroe County, Wis.; also petition of Earl Bingham and 32 other citizens of Juneau County, Wis., protesting against the proposed Sunday observance legislation for the District of Columbia; to the Committee on the District of Columbia.

6830. Also, petition of George W. Powell and others of Genoa, Wis., protesting against so-called "Sunday legislation" and demanding the Constitution be left as it is with regard to privileges; to the Committee on the District of Columbia.

6831. By Mr. BLAND of Virginia: Petition of citizens of Elizabeth City County, Va., favoring the abolition of discriminatory tax on small arms, ammunition, and firearms; to the Committee on Ways and Means.

6832. By Mr. DENISON: Petition of various citizens of Cairo, Ill., urging support of joint resolution purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6833. By Mr. KELLER: Petition signed by 15 citizens of St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6834. Also, petition signed by 30 citizens of North St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6835. Also, petition signed by 16 citizens of St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6836. Also, petition signed by 31 citizens of St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6837. Also, letter from membership of St. Paul's Evangelical Church, St. Paul, Minn., urging support of joint resolution

extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6838. Also, petition signed by 24 citizens of St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6839. Also, resolution adopted at a mass meeting of citizens of St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6840. Also, memorial from St. Paul Unit, No. 34, Steuben Society of America, urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6841. Also, petition signed by 40 citizens of St. Paul, Minn., urging support of joint resolution extending aid to people of German and Austrian Republics; to the Committee on Foreign Affairs.

6842. By Mr. KINDRED: Petition of mass meeting of the citizens of Plattsburg, urging Congress to support national defense act by making appropriations as recommended by the President and Secretary of War; to the Committee on Naval Affairs.

6843. Also, petition of customs laborers of San Francisco, favoring House bill 13382; to the Committee on Ways and Means.

6844. Also, petition of Frederick Snare Corporation, favoring a change in the immigration law; to the Committee on Immigration and Naturalization.

6845. By Mr. KISSEL: Petition of Harry Boland Council, American Association for Recognition of the Irish Republic, Brooklyn, N. Y., urging the Government of the United States to protest against the barbarous executions of prisoners of war now being carried on by the so-called Irish Free State; to the Committee on Foreign Affairs.

6846. By Mr. LINEBERGER: Petition of 21 citizens of Long Beach, Calif., to abolish discriminatory tax on small-arms ammunition and firearms; to the Committee on Ways and Means.

6847. Also, petition from 14 citizens of the ninth congressional district of California, opposing the Bursum Indian bill; to the Committee on Indian Affairs.

6848. By Mr. LITTLE: Resolutions of the Spring Hill (Kans.) Farmers' Union, Local No. 1784, in regard to the Federal reserve bank; to the Committee on Banking and Currency.

6849. By Mr. RADCLIFFE: Petition of 48 citizens of New Jersey, favoring a joint resolution purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6850. By Mr. RIORDAN: Petition favoring a joint resolution to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6851. By Mr. ROSE: Petition of Cambria County Rural Letter Carriers' Association, Pennsylvania, urging passage of the Ketcham bill, H. R. 13297; to the Committee on the Post Office and Post Roads.

6852. Also, petition of the Republican Women's Organization of Cambria County, Pa., urging a more strict and impartial enforcement of the prohibition law in that district; to the Committee on the Judiciary.

6853. By Mr. SNELL: Petition of citizens of Plattsburg, N. Y., favoring national defense act; to the Committee on Military Affairs.

6854. Also, petition of citizens of Saranac Lake, N. Y., to abolish discriminatory tax on small arms, ammunition, and firearms, internal revenue bill, section 900, paragraph 7; to the Committee on Ways and Means.

6855. By Mr. SMITH of Michigan: Resolutions adopted by Hillsdale Pomona Grange, Hillsdale, Mich., protesting against the passage of House bill 13125, an amendment to the Federal farm loan act; to the Committee on Banking and Currency.

6856. By Mr. THOMPSON: Petition of 177 citizens, Putnam County, Ohio, urging action on House Joint Resolution 412, for the relief of the distress and famine conditions in Germany and Austria; to the Committee on Foreign Affairs.

6857. By Mr. YOUNG: Petition of the Benedict National Farm Loan Association, Benedict, N. Dak., protesting against the Strong bill and urging that it shall not be passed without amendments; to the Committee on Banking and Currency.

6858. Also, petition of the Carson National Farm Loan Association, Carson, N. Dak., protesting against the Strong bill (H. R. 13125), and urging that same shall not be passed; to the Committee on Banking and Currency.

6859. Also, petition of the Ellendale National Farm Loan Association, opposing amendments to the Federal farm loan act; to the Committee on Banking and Currency.

6860. Also, petition of H. Heitmann and others, of Martin, N. Dak., urging the passage of joint resolution now pending in Congress purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6861. Also, petition of F. W. Kalbur and others, of Ellendale, N. Dak., urging the passage of joint resolution now pending in Congress purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6862. Also, petition of J. R. Klundt and others, of McClusky, N. Dak., urging the passage of joint resolution now pending in Congress purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6863. Also, petition of Reo L. Knauss and others, of Bismarck, N. Dak., urging the passage of joint resolution now pending in Congress purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6864. Also, petition of Michael Schmierer and others, of Ellendale, N. Dak., urging the passage of joint resolution now pending in Congress purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6865. Also, petition of National Farm Loan Association, Bottineau, N. Dak., protesting against the passage of the Strong bill without amendment; to the Committee on Banking and Currency.

6866. Also, petition of the National Farm Loan Association, of Cando, N. Dak., opposing certain amendments to the Federal farm loan act; to the Committee on Banking and Currency.

SENATE.

WEDNESDAY, January 17, 1923.

(Legislative day of Tuesday, January 16, 1923.)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Assistant Secretary called the roll, and the following Senators answered to their names:

Ashurst	Glass	McKellar	Smoot
Ball	Hale	McKinley	Spencer
Bayard	Harris	McLean	Stanfield
Borah	Harrison	McNary	Stanley
Brookhart	Heflin	Nelson	Sterling
Calder	Hitchcock	New	Sutherland
Capper	Johnson	Nicholson	Townsend
Colt	Jones, Wash.	Norbeck	Underwood
Couzens	Kellogg	Norris	Wadsworth
Culberson	Kendrick	Oddie	Walsh, Mass.
Curtis	Keyes	Overman	Walsh, Mont.
Dial	King	Ransdell	Warren
Fernald	Ladd	Reed, Pa.	Watson
Fletcher	Lenroot	Sheppard	Weller
George	Lodge	Shortridge	Wills
Gerry	McCumber	Simmons	

Mr. CURTIS. I was requested to announce that the Senator from Arizona [Mr. CAMERON] is detained on official business.

Mr. WILLIS. I desire to announce the unavoidable absence of my colleague [Mr. POMERENE] on account of illness. I ask that this announcement may stand for the day.

Mr. BROOKHART. I wish to announce that the senior Senator from Wisconsin [Mr. LA FOLLETTE] is detained at a hearing before the Committee on Manufactures.

The VICE PRESIDENT. Sixty-three Senators having answered to their names, a quorum is present.

DEPARTMENTAL USE OF AUTOMOBILES.

The VICE PRESIDENT laid before the Senate the following communications, in response to Senate Resolution 399, relative to the number and use of automobiles in the several departments, independent bureaus, and commissions, which were ordered to lie on the table:

A communication from the president of the Columbia Institution for the Deaf;

A communication from the secretary of the United States Civil Service Commission;

A communication from the secretary of the Board of Surveys and Maps of the Federal Government;

A communication from the acting secretary general of the Inter-American High Commission, United States section;